



FOREIGN POLICY ASSOCIATION

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**FPA Town Hall
FPA Statesman Luncheon
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Featuring:

Jean Charest, Premier of Quebec

ERIK SCHATZKER: Good afternoon. My name is Erik Schatzker. I am an Anchor and Editor-At-Large of Bloomberg Television, and on behalf of the Foreign Policy Association, welcome to all of you.

Today it is our great pleasure to host and to recognize the Honorable Jean Charest, the Premier of Quebec. In its 93 years of building awareness for U.S. Foreign Policy and global issues, the FPA has had the honor of hosting many dignitaries, you can imagine. Some of those dignitaries become friends of the Association, and Mr. Charest most definitely belongs in that camp.

This is the fourth time that the FPA has been honored by his presence at one of its events. In a few minutes we will have the pleasure of hearing from Mr. Charest himself, who brings news from North of the border. Until then, please enjoy your lunch. I'll be back shortly.

[Applause]

Mr. Schatzker: Excuse me, ladies and gentlemen, if I may have your attention once again, please. Thank you and hello once again. Some of you here know this already, but for those of you who don't, I'll tell you right now. Jean Charest is one of the wonders of Canadian politics.

At the age of 52 he has already given a quarter century of service to his hometown of Sherbrooke, his Province and his country, and the story of his success is anything but typical. Mr. Charest was first elected as a Member of Parliament at the tender age of 26. This was 1984. The Progressive Conservative Party has just recorded

the biggest landslide win in Canadian electoral history and like many of his fellow junior legislators, Mr. Charest was a trained lawyer. But he stood out from the crowd, and two years later, Prime Minister Brian Mulroney him Canada's youngest ever Cabinet Minister.

From 1993 to 1998, Mr. Charest led the Federal Conservatives, this time in opposition, and his future on the national stage was burning bright. Yet it turned out his calling was elsewhere. With the threat of separatism looming in Quebec, Mr. Charest took a giant step across both jurisdictional and party lines, ending his career as a Federal MP and as a Progressive Conservative, to become leader of the Quebec Liberal Party.

For those of you unfamiliar with Canadian politics, the Liberals are to the Democrats as the Conservatives are to the Republicans, not exactly, but close enough. And that gives you an idea of exactly what Mr. Charest did. But really to truly understand this, I need to go further. There is no analog that I can think of in modern American, but consider this.

If Nancy Pelosi stepped down as House Minority Leader, returned home to California, left the Democratic Party, joined the GOP to stop a renegade Jerry Brown from pulling the state out of the Union, it would be almost as big a deal as what Jean Charest did in 1998.

[Applause]

Mr. Charest battled the Separatists for five years and finally, in 2003, emerged victorious. The Quebec Liberals won the election, and he has since become the first Premier in 50 years to serve three consecutive terms. While pundits make much of Mr. Charest's pragmatism, he has long championed four key issues, the environment, health, child care and the family, and the economy.

His contributions as a Federal Minister and Premier helped make sustainable development the law of the land in Canada. He introduced North America's most generous parental leave system, you're going to be shocked here, 52 weeks of income assistance, and he reduced wait times at hospitals and clinics across the Province, an important issue for many Canadians and certainly for Quebecer's.

But it is the Premier's focus on the economy that brings him here today. The Plan Nord is his vision for the development of Quebec's vast North, an area twice the size of France, ten times the size of New York State, and the Province's future. Without further ado, ladies and gentlemen, the Honorable Jean Charest.

JEAN CHAREST: Thank you, thank you very much, Erik. And Erik is a refugee here in the United States. He's a Canadian, as some of you may know. I want to thank Noel Lateef for hosting me again and our delegation. And, Noel, we are delighted to be with the Foreign Policy Association, and Quebec has a long friendship with the Foreign Policy Association and with your team. And it's a great honor to be on this podium today and to share a few thoughts with you.

I also want to thank Mr. Cox, who is with us today and is the Chairman. John Parisella is with us today. John is our Delegate General here in New York City, and we've had a delegation office for the last 71 years in New York, and John is the person who represents us. Also John Prado, who is our brand new Council General here in New York, and John and I go way back, way back. We shared some political battles in another life, and I'm delighted to see that we have our Council General with us.

There's also a few other head table guests I wanted to acknowledge. Robert Sauve, who is our Deputy Minister of Natural Resources, and I wanted to acknowledge him because a good part of the work done behind this Plan Nord that I'll be speaking to in a few minutes is his work also. Also Mr. Everett Schenk, who is the CEO of BNP Paribas North America; Mr. - - , who is an Associate Deputy Minister also in the Department of Finance; and Mr. Jacques - - , of - - is with me today.

Ladies and gentlemen, I want to thank Erik for the very kind introduction, and it has been very exciting to be in Quebec and Canadian politics over the last 27 years. And for Canada, in particular, this is a very important year.

We've had a federal election campaign, and just elected on the 2nd of May a new majority government, a Conservative government, led by Prime Minister Stephen Harper, and there will be six Provincial election campaigns before the end of the year. So politically a lot will be happening in our country, and that's the good news. The better news is that I will not be holding an election this year, which according to my polling numbers, is very good news for me. [laughter] I have some time to go in my mandate.

Let me speak first about Quebec, and for those of you who are less familiar with your neighbor, the border of Quebec starts at the border of New York, and is a piece of land that I have the pleasure and the honor of governing over as Premier of Quebec. It goes all the way up to the Arctic, and you can see on your left and your right here. It is an extraordinary land mass, and it's Canada's biggest population in terms of land mass, and it has extraordinary resources.

Of course, the most important is the fact that we're 8 million people, and you will know that well over 80% of our population is French speaking, that we celebrated in 2008 the 400th anniversary of the foundation of Quebec City by the explorer, Samuel de Champlain, and it was an extraordinary celebration.

One of the things we are extremely proud of is that we have been able to preserve our language and culture over 400 years. For us, this is a great gift that enriches our lives because another language and another culture is like another window on the world. It allows us to see things differently, to understand them differently, and enriches our ability and our contribution to life. And so we are extremely proud of that. Those of you, who have had the opportunity to travel to Montreal or to Quebec City, will be able to share in that experience.

We're also, as Quebec and Canada, we have a small population base, 8 million people, 34 million people. I was in India last year, and to give you a sense of the proportion and how we understand that speaking to an Indian audience, I reminded that the population of Canada was in the margin of error of India. [laughter] We know that our future depends on our ability to have access to markets. It's true for Quebec and it's true for Canada.

And to speak again to Quebec, and the people I represent, we have always been very conscious of this. To the point where in the 1988 federal election campaign the issue, I was part of the government of Brian Mulroney, there was a proposal for a free trade agreement with the United States led by President Reagan at the time. And the election campaign of 1988 transformed itself, morphed itself into a referendum on whether or not Canada would enter into this trade agreement with its American neighbor.

And you can imagine our relationship with the United States is like that of every other country that has a big and powerful numerous neighbor, and a smaller country. It's often mixed feelings in regards to that relationship, and there have been many debates in our history about our trade relationship with the United States. And if this trade agreement happened, it's because the people of Quebec overwhelmingly, in the 1988 federal campaign, supported this proposal for free trade.

And that speaks volumes of the relationship that we have with our neighbor to the South who we appreciate, who is an ally and a friend, and a business partner; a very important business partner. Just to speak to that again, 50% of our GDP depends on what we sell outside of Quebec to the rest of Canada, but mostly to the United States, mostly to the United States.

We have a very keen understanding of this relationship. We follow the relationship with our American neighbor very, very closely. The politics in this country mean a lot to us. And so we nourish this relationship, and we appreciate the fact that we have such great neighbors and friends.

The consequence of this, though, is that we, through this economic crisis for example, realize how dependent we are on the American market. Which explains why one of our initiatives, recent initiatives, has been to initiate a major negotiation with Europe; a partnership agreement on trades and services; a very broad new generation agreement so that we can invest in other markets and be less dependent on our American neighbor for all the obvious reasons.

There is, in a snapshot, where we are. Our economy is diversified also. We have been very successful in the last 40, 50 years in diversifying into aerospace, into the pharmaceutical industry, information technology. In fact, a number of Wall Street firms have major investments in IT in Quebec and operations in IT in Montreal in particular.

The video game industry is very big in our Province, life sciences. We are in the process of building two university hospitals, one from the Universite de Montreal, and the other one from McGill University. And they are going to be major, major undertakings that we will complete by about 2020.

Overall, I don't want to brag too much, but our economy is doing fairly well. Our unemployment rate is 7.3% as of last month, below the Canadian average, below Ontario, below the American average, which we had never seen in 33 years. In fact in the last month alone, we created close to 24,000 jobs in Quebec alone. And so we have done fairly well in this economic crisis.

Our banks, our institutions have done well. You may remember the magazine, The Economist, a few years ago wrote a piece about Canada, calling it Boring Canada. Being boring during the economic crisis was pretty good. [laughter] Our banks I like real boring, and well capitalized, and well regulated, which allowed us to come through this period of economic upheaval with some scratches, but in relatively good shape.

What I want to speak about today is about our vision for the future, and where we see our future. And a few years ago, we decided that one of the things we wanted to get a grip on and take on, was the development of our North. Everything from the 49th parallel up, and so you can shave off about a quarter of that territory, and about everything else up to the 49th parallel is a part of Quebec that we chose to develop in a very deliberate and thoughtful way.

Why did we want to do this undertaking? There are a lot of good reasons, because there are a number of Quebecer's who live in that part of Quebec. Not a lot, about 120,000 people, among them four first nations. The Cree, the Inuit, the Inuit are in the North. For those who are not familiar with the Inuit's, what we used to call the Eskimo, the Inuit; the Neskapi and the Innu. And there are non-natives that live in that part of Quebec.

We also felt it was important to do this because like other places in the world, there's a very strong demand on our natural resources. And this part of Quebec has every resource imaginable. It has of course iron ore, gold, nickel, lithium, platinum, rare earths, and diamonds. Diamonds is an interesting story.

I was the Federal Minister of Environment in 1992, when a group came into my office asking permits to explore for diamonds in Canada. We thought they were very funny. They had a sense of humor. Today Canada is the third most important producer of diamonds in the world, clean diamonds. It's become big business.

In that part of Quebec, there's every resource that you will be looking for, including energy resources. About 60% of our energy production is in that part of Quebec and Quebec is the fourth biggest producer of hydroelectricity in the world. Clean renewable power that we produce for, of course, our own market, but we also want to share and export to our neighbors, elsewhere in Canada, and in the

United States that needs the energy but, most of all, as the rest of the world needs clean, renewable energy; by the way, from a very reliable partner and friend.

That is also part of what we have in Northern Quebec. As we look ahead, what we see is that there will be strong demand on these resources for the next 30 years. Of course, talking of resources and natural resources, we know it's a very volatile market. Prices will go up and down, but our reading is in the next 30 years the demand will be fairly steady. And why, well because of China and India, but also because there is a vast movement of urbanization in the world that applies a lot of pressure for the demand on resources.

The other thing that changed in the last two years that we witnessed, that we see in our relationships, is the issue of strategic access to natural resources, brought on by the incident about the access of rare earths between China and Japan. Some of you may have noticed this episode. I wasn't very familiar with what we call rare earths, which is a basket of minerals that goes into the manufacturing of a number of electronic goods, and has a strategic imperative for a number of countries.

China has had a monopoly of this market, and there was a conflict or a, let's say, dispute between China and Japan about their allocation of this resource for the Japanese economy. The reason I raise that is because of the effect it had on all industrial countries who, all of a sudden, were conscious of the fact that there was a strategic imperative here for their economy to have access to resources.

It's also fueled I think by the fact that China is investing massively in different parts of the world. And so countries like France, for example, have put together different ministerial groups to be able to get their heads around this issue. All of this combined has created an environment for which there is a demand on these resources.

As we look ahead and I've had the opportunity over the years of traveling the North, of working with First Nations, I did it when I was Federal Minister of the Environment and after that when I became Premier. And we thought that if we are going to enter into a period of development, we have a unique opportunity to try to think this through, to try to imagine how we will do it and get it right. And that's what we've done for the last two years.

We put together with a plan that we call the Plan Nord. It's a 25-year plan that's very ambitious. Twenty-five years ahead is a long time. We calculate and we estimate, and we admit that it's, at best an estimation, that there will be at least \$80 billion worth of investment over this period.

We calculate we're ready to invest close to \$47 billion in energy projects, and that will be mostly driven by Hydro Quebec and the government of Quebec; both on hydro or wind projects. And we also want to do this development in partnership with those who live on the territory and those who will invest.

We laid out this plan with the first five-year tranche, within which we'll invest \$2.1 billion. The idea here is to bring some order to what will be a major economic

enterprise, so that the economic benefits of development will also have positive social developments for the communities, for the First Nations, so that they can participate in the projects. Not only in terms of receiving royalties, but also in terms of jobs and training, and being able to lift the communities in terms of their quality of living, which in some cases is very uneven.

We also are very committed to our responsibilities as fiduciaries of this land. The Boreal Forest is right there at the 49th parallel, all the way to about the 55th parallel. And Canada, as you may know, has 10% of the world's forest, which represents a very important carbon sink.

There's a major initiative that was launched not too long ago for the preservation of the Boreal Forest. We're in partnership with a number of environmental groups, including The Pew Environmental Center represented today by Mathew Jacobson, and Forestry Industry could that we could manage this forest in a sustainable way.

And so we have also, through this initiative, made a very strong commitment to protecting this environment and doing it in a sustainable way. This territory that Erik described as twice the size of France, in fact ten times the size of the State of New York, half of it will be protected from industrial development 50%. It's the equivalent of the size of France that will be protected from industrial development.

Within that territory, beyond the 49th parallel, 12% will be protected areas as recognized through international standards. And that represents for us a very firm commitment to a very important environmental project. This is one of the last virgin areas on earth, and it will represent an extraordinary undertaking for us to get it right, and to manage it in a sustainable way.

This project is now launched, and we are going to be entering into a period of partnership where different investments will be done with a coordinating group that we will call - - . The idea here is quite simple.

If a mining community comes in, as is the case in Salluit, for example. If you go quite to the tip of Quebec, there is an Inuit village called Salluit. There is a mine there that is run by the Xstrata Company, a nickel mine. They have a compound of 800 people who work there every day. They are flown in from the South. They work three weeks and they're off two weeks.

The native community has an agreement of royalties with the company. Last year they received \$15 million in royalties. They have an agreement on job creation and job participation, as the Inuit people move up the ladder in terms of job creation. And the people who work in those mines live in Southern Quebec and live all over.

I met a gentleman at the super market the other day, who came up to me after we made the announcement, and informed that he works in this mine and has worked for the last three years, that there are 20 people in my hometown of Sherbrooke, which is in the Eastern Townships close to the border of Vermont, that work there. They make on average \$120,000.00 a year, so they fly in three weeks and they fly back two weeks.

He also told me he would vote for me in the next election campaign, which I thought was a very good idea.

[Laughter]

There is one example, one example of the kind of development we have. I want to speak about energy because this is something that is very critical to our relationship with the United States.

Quebec is a big producer of clean and renewable energy. We produce for our own market, but we also believe that we represent a solution to our American neighbors, who both need energy and clean and renewable energy, and from a reliable partner; which is, I think, very significant in regards to how we need to decarbonize a good part of our economy.

We will be adding 3,500 megawatts of energy; 3,000 of that will be hydro and another 300 wind power. We have the advantage of being able to combine wind power and hydro. When the wind turbines are turning, it allows us to fill the reservoirs with water, and allows us to combine both and get the best of both worlds.

We have just concluded, for example, an agreement with State of Vermont, a 26-year agreement to sell hydro, which we represent a third of the power consumed in the State of Vermont, which also happens to have the lowest carbon footprint in the United States, as Quebec has the lowest carbon footprint in Canada.

We look ahead at companies that invest in Quebec and one day, it may not be in the next few years, this whole issue of carbon trading is not on anyone's agenda, but the whole issue of carbon pricing will reappear on the agendas one day. For those who choose to invest in Quebec, this represents a very real advantage, a very real opportunity.

Ladies and gentlemen, you have there one of the very exciting projects that we are going to be speaking of. But in concluding, let me add another twist to this story of why it's so important, and why we want to look ahead.

We know that in the near future, there's a new maritime route that will open right at the North of Quebec, on the tip of Quebec. It will happen within the next 20 or 30 years. It depends on the issue of in how fast climate change affects us. By the way, I can assure you, if you've been up there and you've talked to the Inuit, it's happening.

Researchers seem to accelerate the date every time they bring out a new study, but there will be a new maritime route. It will bring significant change to our transport patterns. It will actually reduce from three days the travel time between Europe and Asia. Three days of shipping time saved. How significant is that?

As we speak, they're building a parallel canal to the Panama Canal to accommodate these Chinese post Panamax ships, these huge ships, because of the time they'll be

able to save in transporting goods. You can imagine what the effect will be, and you know now why we are so determined to occupy our territory and to prepare.

If there's one thing I've learned, is it's my responsibility as Premier to look ahead and to see these things so that we are positioned to take advantage of it. The difficulty we have is that this maritime route is in Canadian territory, yet it is not recognized as such by either the United States or Europe. There will be a very important political debate about the ownership in the next few years, and the stakes will be high.

This part of the world has a wealth of resources, and a fragile environment by the way, a very fragile environment. And that's why we, if all the things we're doing here, if there is one thing I want to stress, is the importance that we attach to dealing with this environment in a sustainable way, protecting 50%. That is key to the success of this whole strategy. But we will be in this discussion, in this dialogue, in the very near future. And it will have very real consequences on our lives, very important consequences.

Ladies and gentlemen, there you what is going to be a very exciting period of development for us, and we look forward to working with investors. We look forward to working with environment groups, with our American friends with whom we have the privilege of sharing a great deal, economically and socially, politically also. We look forward to, yes, to investments and, yes, there will be a debate about the land here.

But if you're willing to return Louisiana, we're willing to allow your ships to go through our passageway.

[Laughter]

It's just a matter of concluding an old deal that went wrong for France a little while ago. Noel, and to all your board members, thank you very much to the Foreign Policy Association for hosting me today, and we would be more than delighted to see you visit Quebec.

Thank you.

[Applause]

Mr. Schatzker: Ladies and gentlemen, and now in my capacity as a Fellow of the Foreign Policy Association, and as a proud Canadian, it is my pleasure on behalf of the FPA to present its Statesman Award to the Honorable Jean Charest, whose vision and outstanding public service has furthered the prosperity and the general wellbeing of the people of Quebec.

[Applause]