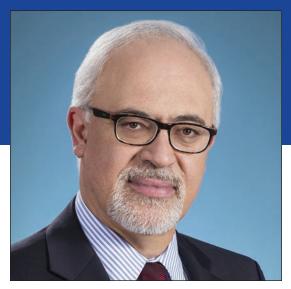
# Québec



The Hon. Carlos Leitão

**EDITORS' NOTE** For over 30 years, Carlos Leitão worked in the banking and financial services industry, including for the Royal Bank of Canada, and later for Laurentian Bank Securities, where he was Chief Economist. He sat on the management committee and the risk management committee of the Laurentian Bank for several years. He was also a member of the Bank of Canada's Ouébec Panel. In 2008, Leitão was ranked as the world's second best economists by Bloomberg News. He has been a Member of the Legislative Assembly for Robert-Baldwin since the election in April of 2014 and Minister of Finance of Québec since April of 2014. He has also acted as Minister responsible for Government Administration and Ongoing Program Review and Chair of the Conseil du trésor since April of 2016.

#### How strong is the economy in Québec today?

It's a stable, resilient economy. Like everybody else, we have our structural issues but what has happened over the past five years or so shows the ability of our economy to adapt to a new environment. Overall GDP growth has been modest, in the 1 to 1.5 percent range.

But beyond the GDP numbers, if we look at the components of the economy, there is a great deal of enthusiasm for the future because we're moving towards a more innovation-based economy.

We still have an important natural resource sector but over the past five years or so, we have been able to redirect ourselves towards a more innovation- and knowledge-based economy.

### Does that tie into the Québec Economic Plan?

It does because there is a three-pronged strategy: the first step is the foundation where we need a solid fiscal base. We have put the house back in order. I'm proud of the fact that not just the budget for March is balanced but that the entire fiscal framework for the next four years is balanced.

On top of that, we still have a strategy based on natural resource development. We understand where the cycle is but we continue to invest in the infrastructure regarding natural resources.

# A Stable, Resilient Economy

#### An Interview with The Honorable Carlos Leitão, Finance Minister, Québec

The third prong of that is what we call moving towards an innovative manufacturing sector. Unlike other OECD countries, we still have a relatively large component of our GDP that is manufacturing.

We realize we're never going to compete with other jurisdictions on the basis of wages. To ensure success, we have to move to the next step, which is an innovation-based or advanced manufacturing – have a much higher value-added manufacturing activity, and we are moving in that direction.

Sometimes people underestimate the impact of the 2008/2009 recession on Canadian manufacturing. It hit our external sector hard so we have had to reinvent ourselves in a relatively short period of time.

### How critical is investment in the knowledge economy?

When a firm is considering where to invest next, one of the main components of the decisionmaking process is if they will have access to qualified labor

We want to make sure that we're moving in the direction of developing a much closer link between the educational sector, particularly post-secondary education, and the labor market.

In the aerospace business in Montréal, for instance, there are a few colleges that have developed programs specifically tailored to forming technicians for the aerospace business. The same thing is happening in emerging areas, like video games.

We don't have the same tradition that they do in Europe with internships and manpower training being done by businesses themselves, so we're trying to facilitate that process in Canada.

#### Has building that foundation and doing things like balancing the budget been tough to negotiate?

We've managed to restrain the pace of growth in public spending and we continue to do that; it may sound easy, but it's complicated.

To make this work we first need a strong commitment from the top, from the Premiere himself, to make sure these issues are on the cabinet table when the finance minister or treasury board speaks on what needs to be done, and we've been successful with that from day one.

The second part is making sure that strategy works in that we can't just restrain public spending on an administrative basis because, after a few years, things will explode again. We need to put through some meaningful structural reforms, which we are doing, particularly in healthcare.

In the Canadian system, the provinces are responsible for healthcare and education, and those two items account for most of our budget.

Healthcare alone is about 50 percent of our program spending. To control healthcare costs, we need to have a clear view on how we want to restructure the system.

Since 2014, our health minister has put in place a systematic approach to reform healthcare spending. First, we changed the structures as we realized we had too many regional health agencies making the governance very complex.

Second, we're now changing the way the system works, because our system has been expensive. Doctors remuneration is also a major point of concern we are addressing. The third component, which we will tackle this fall, is a major change in the way hospitals and healthcare agencies are funded. Until now they were funded on a historical basis. Going forward, they will be funded for what they actually do.

# You also have the opportunity to capitalize on the transition to a low-carbon economy. How critical will that be?

That will be critical but it's also exciting. We start with an advantage over other jurisdictions because, in Québec, most of our energy already comes from hydroelectric power. Now we want to build on that and move toward a low-carbon economy with things like zero-emission vehicles. We talk about the electrification of transport for a new transportation system around Montréal.

Along with California, we're members of the Western Climate Initiative with a cap-and-trade system in place.

That system, with which Europe has had issues, it's what is currently used in Québec and California, and will be in Ontario, and it works well.

That allows us to create what we call the Green Fund, which is fed by the revenues generated by the cap-and-trade system. There is about a billion dollars in our fund that will go toward public transit and a number of initiatives to assist Québec businesses to become more energy efficient and to start new businesses that explore the emerging world of clean tech.

## How critical has it been to build relationships with Asia and China?

The Trans-Pacific Partnership will allow us to continue to expand into Asia. We will continue to look for those opportunities without neglecting the American market.