

**An address* to
The Canadian Club of Toronto**



MEDIOCRITY OR EXCELLENCE?

***WHAT IT WILL TAKE TO MAKE
CANADA A GLOBAL LEADER***

*An adaptation of an address to
the Autumn General Meeting of the
Business Council on National Issues
November 3, 1999

**By Thomas d'Aquino
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Royal York Hotel, Toronto
December 6, 1999**



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Six months ago, when the Business Council on National Issues launched the *Canada Global Leadership Initiative*, we described it as an effort to move our country's policy agenda into a new era. Our mission was an ambitious one – we pledged to do everything in our power to help make Canada *the best place in the world in which to live, to work, to invest and to grow.*

Behind us lay the great struggles against rampant inflation and runaway government deficits. Behind us lay the crusade to persuade Canadians to cast off the shackles of protectionism and embrace the disciplines and the rewards of the global marketplace. Behind us lay two decades of divisive debate and painful adjustments that today have yielded concrete results – a Canada with robust growth, falling unemployment, strong exports, low inflation and a much improved fiscal condition.

But Canada was not alone in embracing change. To the south, an amazing dynamism was carrying the United States, the laggard of the 1970s, through an unprecedented economic expansion. In Western Europe, century-old rivalries finally seemed to be melding into an effective model of cooperation. In Eastern Europe, the mistakes of the Communist past were being trampled by a powerful if uneven burst of entrepreneurial energy. Across much of Asia and Latin America, a flood of private-sector investment created a tidal wave of economic development. These trends were not without setbacks, but the combination of freer flows of investment capital with the abundant potential of new technologies was liberating human ingenuity across the globe.



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We saw, however, that while Canada's economic fundamentals had improved significantly, other countries were doing even better. They were experimenting with new ways of creating advantage in the global arena, and reaping dramatic gains for their daring. From the stunning innovativeness of the United States, to the sustained growth of Australia, to the remarkable resurgence of Ireland, to the striking successes of Finland, creative solutions had become the name of the economic game.

While we saw progress in Canada, we saw too little creative energy, too much complacency, and too many disquieting signs. We saw public debt and taxes continue to rise. We saw a currency that had still failed to gain much respect. We saw exporters quick to profit from the lower costs a sagging currency brings, but slow to invest in the productivity needed to compete over time. We saw business investment rising, but our share of new foreign direct investment falling, even within North America. Most telling of all, amidst the longest economic expansion in North America since the Second World War, we saw the real after-tax incomes of Canadians wallowing in stagnation. We saw progress all over the world, but Canadian families could not seem to capture a fair share of the benefits.

And so we sounded the alarm, an alarm that a leading editorial in *The Globe and Mail* recently referred to as the equivalent of a *911 dial-in* to the Prime Minister of Canada. Events since last spring have shown that we spoke out not a moment too soon. The global trends that we sensed in motion have burst into public view with stunning speed.

Nowhere is this more evident today than in the strategies being pursued by some of the most celebrated names in corporate Canada.



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We had already seen an intense and hopelessly politicized debate over bank mergers and whether consolidation within Canada was a prerequisite for global growth. Now the entire future of the airline industry, both in terms of structure and ownership, commands national attention.

In the meantime, the Canadian public has seen a string of foreign takeovers, even of Canadian icons like MacMillan Bloedel. Today, much of corporate Canada is on the auction block, and at bargain prices.

Canadian companies also have been expanding through mergers and acquisitions, but here too the Canadian public is being presented with reason to worry. They have seen that while the post-merger Alcan will retain its head office in Montreal, its executive office is being established in New York. They have seen NOVA Chemicals announce that its chief executive and top managers are moving from Calgary to Pittsburgh. They have seen signals that IPSCO is shifting its operational headquarters from Regina to Chicago. They have heard other business leaders like John Roth at Nortel Networks and David O'Brien at Canadian Pacific raise the possibility that some of their executive operations might migrate in future.

Those who have had the courage to speak the blunt truth as they see it -- as many of my BCNI colleagues have done -- are targets of criticism for their supposed disloyalty. Let me say this in reply. I think the greatest disloyalty to Canada is expressed by those who bury their heads in the sand, who willfully ignore global realities, who brandish today's encouraging economic headlines as proof that we need do little to prepare ourselves for the challenges of tomorrow. I can think of no



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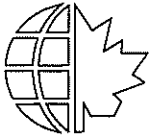
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greater service to our fellow Canadians than to make sure that we all are informed, motivated and equipped to take on the best in the world and win.

We want all Canadians to be able to take advantage of the opportunities of the global economy. We want our children to be champions, not helpless victims of forces beyond their control. We want Canadians and their enterprises to build on their successes. We want them to continue succeeding from a Canadian base. And we know that only by winning in the economic arena can we preserve and enhance Canada's remarkable model of social development.

Let me repeat one point that I have made time and time again. It is not good enough for Canada simply to compare itself to the United States and then try to match its economic progress by imitating its policies. We are and always will be a small economy next to a large one. If we are to attract our share and more of the world's leading-edge opportunities and highly paid work, we must become more than an American carbon copy with a conscience. We have to take what we already do better than the United States -- and improve it. But at the same time, we must take a hard look at our weaknesses both in the private and public domains and figure out how to address them without undermining our greatest strengths. Creating a uniquely better model of economic and social development will be no mean feat. But I believe that it can be done. And it must be done.

The purpose of the *Canada Global Leadership Initiative* is to grapple with that challenge, to identify the critical problems that Canada faces and to develop bold but realistic plans for overcoming them.



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In the past six months, we have covered a lot of ground. We launched the initiative with a survey among BCNI members, which focussed on what factors have the most impact on international business investment decisions and where individual chief executives see Canada's greatest strengths and weaknesses.

We followed up with in-depth interviews with the leaders of companies that have achieved great successes here at home and abroad. In these interviews, we posed four essential questions:

- 1. What is it about Canada that has enabled your company to succeed as much as it has?*
- 2. What is it about Canada that is now holding back your ability to grow?*
- 3. Where will your current strategy take your company if the Canadian environment fails to improve significantly?*
- 4. What can Canada do that would be sufficient to alter that strategy in ways that would strengthen our country as well as your company?*

The time that I spent with my CEO colleagues over the past few months has been fascinating and enlightening, and at once encouraging and depressing. Let me share with all of you some of the key messages that I have heard in the course of these discussions.

First, I have heard remarkable stories of Canadian global success, some of them homegrown but others centred within foreign-owned multinationals operating within Canada. Canadians do know how to make it in the global market. We have the ingenuity, the talent, the smarts and the determination. I have seen enough of these successes



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in action to know that they are not flukes. Where our global pioneers have led, others can follow.

I have heard great pride in the range and depth of talent that individual Canadians bring to the challenges of global growth. I have heard time and again of Canadians who have risen to take on senior responsibilities for corporate operations throughout the world.

But for all Canada's vaunted quality of life, I have heard too many stories of such talented Canadians who, having tasted life abroad, refuse to bring their talents home. I have heard of a decimation of the ranks of Canada's future leaders. And despite the open arms Canada holds out to immigrants from other countries, I have heard repeatedly that Canadian companies are unable to attract enough of the people with the critical skills needed to help them continue growing abroad.

I have sensed a very real feeling of vulnerability, even or perhaps especially among some of the Canadian companies that have been most successful. No matter how impressive their individual achievements, their market value has been systematically suppressed. What we have come to call the "Canada discount" is attributed to many causes – to name a few: a weak and declining currency, small illiquid equity markets, sloppy and fragmented securities regulation, high taxes especially on capital gains, a lingering suspicion of interventionist policies, and the independentist threat in Quebec.

I have heard persuasive evidence that Canada has the right stuff to attract more world mandates in leading industries, but still faces an uphill battle even to make the short list of potential candidates. Negative perceptions surrounding issues such as taxation and



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regulatory barriers are amplified by a continuing view abroad of a country that remains suspicious of and even hostile to business.

And through it all, I have heard deep frustration with an underlying attitude of envy, resentment and entitlement. This is the attitude that fuelled an irrational opposition to what should have been a measured consideration of mergers in the banking sector in the context of global realities. This is the attitude that makes it easier for Canadian companies to grow abroad than to offer greater efficiency to customers at home. This is the attitude that proclaims a desire to help small businesses grow, but punishes them if they succeed. This is the attitude that despises those who prosper even as it expects the wealth generators to fund in large measure Canada's social and economic development. This is the attitude that I saw at play in the streets of Seattle last week when protesters, Canadians among them, opted for direct action and intimidation, chanting senseless slogans against imagined corporate conspiracies and government condoned global economic imperialism.

In my discussions with my colleagues, I was struck by their readiness to acknowledge corporate Canada's shortcomings as a factor of underperformance – our lack of entrepreneurship and daring, our willingness to hide behind a weak currency, our hesitancy to reach aggressively into foreign markets, our soft regime of corporate governance, and our temptation to knuckle under to government bullying.

Amidst all this frustration, though, I have heard a fierce determination not just to succeed in business, but to build a better country. As chief executives, they readily acknowledge a duty to build value for



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shareholders. But I also have been heartened by their passionate desire to build stronger communities and a vibrant and prosperous society. I have heard unashamedly patriotic Canadians who appreciate the quality of the social environment we are privileged to enjoy today, and who are dedicated not to preserving the past, but to creating a better tomorrow for all Canadians.

And I have heard a fundamental optimism, that our problems can be fixed, that the barriers holding us back can be overcome. It is essential that we address Canadians' very real ambivalence about success, but while we suffer from a bad attitude, we do have the right stuff. We may be working with a losing recipe, but we do have winning ingredients.

Our challenge now is to come up with a better recipe. That is the essence of the *Canada Global Leadership Initiative*. And it involves looking at a very wide range of the research and ideas that leading minds are bringing to this challenge across our country and around the world.

I have the privilege of working with an outstanding group of individuals who have agreed to serve as members of our Board of Advisors. We have been picking their brains vigorously, and in many cases putting them to work on our behalf. Let me quickly mention just a few examples of the work we have been extracting from them:

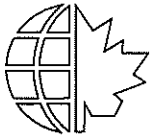
- From Sherry Cooper of Nesbitt Burns and John McCallum of the Royal Bank, various formulas for reducing Canada's costly burden of personal taxation and public debt with social benefits for all;



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- From Jack Mintz, the former Chair of the Technical Committee on Business Taxation and now President and CEO of the C.D. Howe Institute, an urgent warning about Canada's complacency in the face of the rapid, worldwide trend to lower corporate taxes and a low-cost strategy for turning business taxes into a source of competitive advantage;
- From Rick Harris of Simon Fraser University, compelling evidence of the links between taxation and both productivity improvement and human capital formation;
- From Fraser Mustard, the need to focus resources on the development of our children at the earliest stages in their lives;
- From David Strangway of the Canada Foundation for Innovation, the importance of research in building Canada's innovative culture;
- From Dezso Horvath, Dean of the Schulich School of Business at York University, a clear case for making sure that Canadian companies of all sizes become more international in their outlook, their activities and their investment;
- From Lawson Hunter, the former head of Ottawa's competition bureau, plans for bringing Canada's competition policies into line with the new global realities;
- From Michael Hart of The Norman Paterson School at Carleton University, along with Gary Hufbauer and Jeffrey Schott of the Institute for International Economics in Washington, D.C., a thorough examination of the potential for a significant effort to erase



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the remaining barriers to the movement of goods, services and people across the Canada – United States border;

- And from Don Tapscott of the Alliance for Converging Technologies, insights into the virtues of e-commerce and on the impact of new technology on the ability of governments to deliver services more efficiently.

We also are moving ahead with work on topics ranging from the brain drain and education reform to the “Canada discount”, innovation and productivity, access to venture capital, connectedness and e-commerce, governance of financial services, environmental policy, development of the voluntary sector, and the quality of the public service. Some of this work involves other members of our Board of Advisors and others in partnership with organizations ranging from the Conference Board of Canada and the Public Policy Forum to the Society for the Advancement of Excellence in Education, the Centre for the Study of Living Standards, and the Institute of Intergovernmental Relations, Queen’s University.

At BCNI headquarters, we are drawing on ideas and data from around the world to develop a better model for measuring Canada’s progress in relation to that of our global competitors. Along with the policy recommendations that flow from the *Canada Global Leadership Initiative*, we will be unveiling a new “*Canada Index*” to provide credible benchmarks for success. This index will measure both the outcomes we hope to achieve as a society and the markers of economic progress that will enable us to achieve those outcomes. In terms of methodology, I expect our new index to provide a significantly superior



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measure of Canada's relative potential and performance than any other index currently available.

When we present the recommendations of the *Canada Global Leadership Initiative*, they will not be the vague pastiche of platitudes and risk-averse generalities that are served up to Canadians on a daily basis. We will offer an ambitious vision for the country and specific recommendations for action, backed up by solid research and accompanied by benchmarks for measuring our progress.

I hasten to tell you, however, that good ideas and solid research will not be enough. We can advocate badly-needed policy changes all we want, but Canada will not achieve a quantum leap forward without daring and visionary political leadership.

The reality is that we have a government in Ottawa that fails to grasp the gravity of the situation facing the country. Too many of its members and advisors are content with the crumbs that Canadians have managed to gather as we stroll behind the combine harvester of the American economy. They repeatedly tell us to not worry and be happy. They see the economy doing well, more people with jobs, surpluses that keep growing and opinion polls with high approval ratings. Those who dare to call for radical change and new ideas, are often dismissed as self-interested scaremongers, latter day Savonarolas.

We know that the world offers no certainties, that change is disruptive, that only by taking risks can we achieve the dreams that all Canadians share for ourselves and our children. But there are still too many people, especially in the world of politics, who instinctively take refuge



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in opinion polls, who shy away from risk, from staking out bold positions, from daring to lead.

It is clear to me that even those who do understand the global realities feel hemmed in by this political complacency and resistance to change. Finance Minister Paul Martin, the man who had the vision and the guts to carry the federal government from overwhelming deficits to burgeoning surpluses in a scant four years, is now struggling to contain the ambitions of the born again spenders. Too many of his colleagues who were willing to abstain from indulgence in the past seem to be jumping off the wagon and ready to binge once more at the taxpayers' expense.

It is equally clear that business leaders alone will not succeed in preventing such a binge. Already we have been painted, by the least responsible of our critics, as "tax cut maniacs" whose sole objective is to help the rich get richer. If we are going to make a difference with our initiative, we must break the public debate out of this simplistic, confrontational and, I am sad to say, sometimes dishonest mould.

Canada's essential challenge today is not one that should pit rich against poor, right against left, business against labour. Surely we all share the same goal: a strong economy and a healthy society that provides an enviable standard of living and superb quality of life for all of our citizens. The challenge is to identify what all of us have to do to achieve that goal within an intensely competitive and rapidly changing world – and then to take action. If we succeed, we must succeed for all Canadians. If we fail, all Canadians will pay the price.



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But for now, our society remains divided. As business leaders, we must be more effective at building bridges across these divides if we want to forge a true consensus for change. And for that, we need not just a new recipe for economic success, but a compelling vision that can inspire support from Canadians in all walks of life.

This process will not be easy. There are still many Canadians who remain suspicious of the business community generally and large corporations in particular. But we have to remember that when we first raised the idea of a comprehensive free trade deal with the United States, most people were convinced that we would never be able to achieve more than minor sectoral accords. When we suggested earlier this decade that runaway deficits could be eliminated in five years, we were accused of dreaming in technicolour. But in both cases, we did our homework, we made our case, we were persistent and we helped turn around public opinion and create political will.

On the one hand, the challenge we face today is even more daunting, precisely because it requires us to confront the shortcomings of entrenched attitudes. On the other hand, our past endeavors involved changes with clear winners and losers. I think today we can present a genuinely inclusive vision, one that offers inspiration and hope to all Canadians and that would leave everyone better off.

But let's keep in mind one cardinal ingredient of success. As business leaders, we have prevailed in some of the most important national debates of the past by coming together. We can change Canadian attitudes and the policy agenda again, but it will require all of us to take an active role. We must be willing to stand up and be counted. We must talk openly and proudly about our determination to maintain and



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enhance a quality of life in this country second to none. We must talk plainly about what it will take for our companies to succeed and what it will take to do so from a Canadian base. We need to talk about why the success of our enterprises matters to all Canadians, and about the consequences of refusing to act.

Taking a stand like this is always risky. Those of us who have spoken publicly already have experienced the kind of criticism and veiled attempts at intimidation that blunt talk can generate. There will be more. But the time has come to do what is right for Canada as well as for our companies. If we want Canadians to embrace a vibrant new culture of innovation and entrepreneurship, we must first be prepared to risk criticism for the sake of our country.

I believe Canada has the ability to excel, but is searching for inspiration. I can think of no more noble purpose for Canada's business leadership than to articulate a compelling 21st century vision and to show all Canadians how that vision can be turned into a reality of expanding opportunity and prosperity for all.

This is our challenge. This is our responsibility. If we succeed, Canada – this already great and extraordinary country that we all love – will take its place as the *best country in the world in which to live, to work, to invest and to grow.*