

SUICIDE OR RENAISSANCE? CANADA AT THE CROSSROADS

AN ADDRESS* BY
THOMAS d'AQUINO
PRESIDENT AND CHIEF EXECUTIVE
BUSINESS COUNCIL ON NATIONAL ISSUES

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It was Wilfrid Laurier who said, "The 20th century belongs to Canada,". As I was growing up in a small community in British Columbia in the 1950s, my belief in this prophecy was unshakeable. You could hardly blame me. Canadians had made a remarkable contribution to the defeat of totalitarianism in a long and bloody war. Our industries were flourishing, our farmers were helping to feed a hungry world, "peace, order and good government" prevailed throughout the land, and we were playing an influential role in building a new world order.

The following decades brought stunning change to Canada and to the world. The great influence that we wielded gradually and inevitably began to be counter-balanced by economic growth and political development in other countries and regions. Today, my perspective on Canada is more measured than it was thirty years ago, and one would have to concede that Laurier's prophecy almost a century ago, may have been a bit grandiose.

CANADA – A REMARKABLE COUNTRY

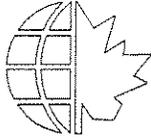
But if Laurier were alive today, would he be disappointed? Far from it. He would observe that Canadians occupy a land even more immense than in his day, unmatched in its natural advantages, and one of the truly last frontiers in a crowded and largely impoverished world. He would be amazed to discover that quality of life here is among the



highest anywhere, that we have benefitted greatly from universal education and health-care systems. He would see that we have built a tolerant society respectful of human rights and the rule of law, and take pride in the fact that Canadian citizenship is the fervent wish of millions throughout the world. He would note with satisfaction that Canadians are respected throughout the world for our integrity, for our outstanding record as supporters of world order, and for our exemplary contributions to peacekeeping.

If Canada's political and social achievements would greatly impress Laurier, what would he think of our economic successes? That with barely 27 million people, we have built the seventh largest economy in the world; that on a per capita basis, we enjoy the second highest income among the 24 nations which make up the Organization for Economic Co-operation and Development (OECD); that our job creation record has been the best in the OECD during the past thirty years; that we are members of the most privileged economic club in the world – the G-7 Summit Group of leading industrialized countries; and that as a major trading nation, we have forged with the United States the world's largest and most economically advantaged bilateral free trade area.

Yes, our remarkable political and economic achievements would impress Laurier, but I would wager that one fact above all would give him the pleasure of a most fervent wish come true. The vindication of



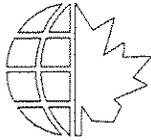
his belief that Canada's great promise could best be fulfilled within a federal system of government.

And how prescient he was, for no other system of government, I would argue, could possibly have accommodated so successfully the staggering social, economic and political changes experienced by Canadians between 1867 and 1992. Federalism offered us flexibility, it permitted diversity, it encouraged consensus and compromise.

WE FACE GRAVE DANGERS

Today, as hard as it is to believe, this extraordinary country that I have described, is facing grave dangers. In our political life, cynicism, division and acrimony appear to have gained the upper hand, and extremism risks becoming fashionable. Governments and political leaders are suffering a disturbing loss of confidence. And what should be a rational debate about how to shape our political future, has suddenly become a "crisis" threatening the breakup of the country.

If our body-politic is unwell, so is our economy. With 1.4 million unemployed Canadians, rising bankruptcies, and growing numbers on welfare, the human costs of the current recession are painfully evident. Contrast this recent reversal in our economic fortunes with the better

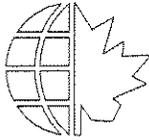


part of the 1980s when investment exploded, incomes rose, and Canada was second only to Japan among the G-7 countries in overall growth.

What has gone wrong, so suddenly? To begin with, we are suffering the effects of a serious recession, and you will agree, I am sure, that this casts a pall of gloom over virtually every aspect of our national life. But our anxieties have deeper roots. They are connected, in my view, to two major mistakes that we made in the 1980s, and these have now come back to haunt us. On the economic front, we failed to grasp the urgency of the need to fundamentally re-orient the Canadian economy in the face of global trade liberalization and competition. We failed, in other words, to respond as fully as we should have in the re-tooling of our industries, in the upgrading of our products, and in the re-education of our work force. Governments and opposition parties throughout Canada did little to help, preferring instead to spend and tax with little regard for the long-term consequences of their actions.

Do not misunderstand. A better record in all of these areas would not have allowed us to escape the recession. Periodic recessions, we know, are inevitable. It would have allowed us, however, to weather the economic downturn better and to be much more adequately prepared to meet the economic challenges of the 1990s.

On the political front, we took an historic step with the patriation of the Constitution, but the tragedy was that this step was taken without the



support of the Government of Quebec. The tragedy was compounded years later by the rejection of the Meech Lake Accord – an accord that had the support of the three federal parties, the Parliament of Canada, and the leaders of provincial governments that represent the vast majority of Canadians – an accord that my colleagues and I on the Business Council strongly supported.

These two mistakes – the failure to grasp the enormity of the competitiveness challenge, and the failure to put our political house in order, are at the heart of the malaise troubling Canadians today. While both problems are enormously complex, I am convinced that with a marshalling of our collective will and abundant resources, they can be resolved. But to do this, we desperately need a sense of perspective, a dose of reason, and a renewal of faith in ourselves. We need to rid ourselves of a disturbing Canadian tendency to ignore our history, denigrate our past successes, and doubt our future potential.

THE ECONOMIC CHALLENGE

Economic issues, I know, are at the very top of your concerns. I will address them first, and begin by offering this prognosis about the current recession. It will pass, and positive growth, investment, and job creation will resume. Very low rates of inflation, falling interest rates,



a more realistically valued dollar, and a United States recovery will ensure that this happens.

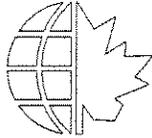
The real challenge, however, is not in the short term. It is in the need to build an economy that will keep us in the forefront among industrial nations well into the next century. To do this, we must achieve nothing less than a revolution in our private sector thinking and actions. We must resist the temptation to procrastinate, to carry out yet more studies, or to wait for some all-encompassing blue print from on-high. The problems are now clear for everyone to see. The time has come for action.

We must reverse our feeble record of productivity growth which since 1973 has been near the lowest among OECD countries.

We must dramatically improve our cost performance. Did you know that our average manufacturing costs are over 40 percent higher than those in the United States?

We must achieve higher levels of excellence in the products and services that we offer to consumers.

We must get better value from our investment in education. We are the second highest per capita spenders on education in the world, and yet



our students are falling short scholastically. And at 30 percent, our high school drop-out rate is alarming.

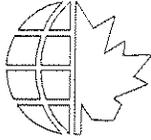
We must put a much higher premium on training and life-long learning. Here, the business sector as a whole, must do much better.

We must invest more heavily in research and development, and move more quickly to adopt advanced technologies.

We must correct the appalling record of business-labour relations — a record based on an outdated adversarial system and made worse by some who cling to absurd notions of class warfare.

This private sector action agenda must be matched by equally vigorous and complementary initiatives on the part of governments.

A cornerstone of public policy must be price stability. Governments must create a climate that discourages inflation and that includes confidence in our currency. Some Canadians argue that this is tantamount to condoning high levels of unemployment. They are mistaken. In Canada, during much of the 1950s and 1960s, prolonged periods of price stability were accompanied by high employment and strong economic growth. For further corroboration, witness the performance of the economies of Germany and Japan. Today,



Canadians enjoy one of the lowest rates of inflation in the industrialized world. Consider this a blessing, and pray that it continues.

In addition to price stability, governments must ensure that Canadians have a competitive tax system, particularly in comparison with our most important trading partner, the United States. The marginal advantages that Canadian manufacturers once enjoyed, have now been eroded and are in danger of being further undermined by governments, grasping for more and more revenues. This trend must be reversed. Investment and jobs depend on it.

Export trade is the life blood of the Canadian economy, and an aggressive trade policy must be a top priority. The federal government's bold pursuit of a Free Trade Agreement with the United States was far-sighted and will yield long-term benefits. But other important markets are beckoning – in the Pacific, in Europe, and in Latin America. They must have a higher priority.

In the public policy domain, no area is in need of more urgent attention than government spending. Large deficits and soaring debt have undermined confidence, pushed up interest rates and taxes, and diverted more and more tax dollars to the payment of interest charges on the debt.

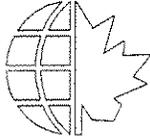


In 1992, the combined government sector deficit will exceed \$50 billion and the accumulated public sector debt will reach \$600 billion. The social, economic and political costs are incalculable. The federal and provincial governments must get spending under control or face the possibility, sooner or later, of a full-blown financial crisis.

Finally, governments must move quickly to strengthen the Canadian economic union. Did you know that internal economic barriers cost Canadians an estimated 1 percent of GDP per year in foregone national income? This amounts to about \$7 billion in 1992.

In dealing with this problem, governments — and here I mean primarily provincial governments — have promised much, but delivered little. The current constitutional negotiations provide a rare opportunity for decisively tackling this issue — by removing economic barriers and by improving intergovernmental co-ordination in all key areas of economic policy. The timid and evasive response of many governments in the face of this opportunity has been extremely disappointing.

Just as disappointing has been the claim on the part of some that a stronger economic union somehow poses a danger to sound and progressive social policies. This reasoning is not only bad, it is insulting. Effective social and economic policies are mutually dependent. Both are essential to the improvement of the human condition. Both are cornerstones of the successful modern state.



THE POLITICAL CHALLENGE

The economic challenge that I have outlined is immense, perhaps even daunting. But with the natural advantages and the resources that we have as Canadians, meeting the challenge is well within our reach. We, in the Business Council on National Issues are not daunted.

We find our prospects so exciting that we have set a target for ourselves, and we have suggested that it be embraced by all Canadians:

that we strive to make Canada the best economic performer of all the G-7 countries by the year 2000.

Achieving this target will require a formidable dedication of will. But one major obstacle stands in our way. Politics – the politics of solitudes, the politics of pride, the politics of regionalism, the politics of misplaced ideology. All this and more is exemplified in the tumultuous debate about our constitutional future.

As I see the political challenge posed by the constitutional debate, two thoughts are uppermost in my mind. First, we would help ourselves immensely if we thought of the challenge as an opportunity rather than a crisis. An opportunity for Quebeckers to rejoin the Canadian constitutional family where, I can assure you, you are sorely missed.

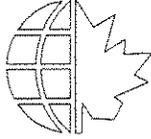


An opportunity for the French speaking majority of this province to participate fully in the life of Canada – with "pride and dignity", to quote Premier Bourassa. An opportunity to correct some long-standing grievances in other parts of the country, to strongly reaffirm who we are as Canadians, and to modernize our institutions as we prepare to enter the 21st century.

A second thought is that all 27 million of us are, and will remain stronger in a unified country. Partition or fragmentation, I am convinced, will impose massive costs on Quebeckers and upon all Canadians. The preponderance of the analysis we have done in the Business Council on National Issues leads us inescapably to this conclusion. So does a growing body of independent analysis.

But I do not base my point of view on the results of economic modelling. I prefer to rely as well on what I see and hear as I travel across Canada and throughout the world. The fact is that the vast majority of Canadians do not wish to see the country dismembered. They know that, as successful as Canada has been in the past, the country must now undergo profound change. But they oppose the idea of partition or fragmentation as unwise and indefensible.

How do people outside of Canada react to the prospect of break up? Almost universally, with disbelief. Wherever I go – be it New York, Frankfurt, Tokyo, Paris, London, Mexico City, Zurich or Taipei – the

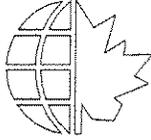


question I face is always the same – why do such a thing? The journals and newspapers of the world wonder whether we have taken leave of our senses. Witness the recent articles in *The Economist*, *Le Monde*, *Time*, *Business Week*, *The Wall Street Journal*, and the *Financial Times* of London.

Investors, until recently, did not take seriously the possibility of break up. Why should they? Canada has consistently been ranked as one of the most stable countries in the world. Indeed, our political stability has been regarded as one of our priceless assets, a powerful source of competitive advantage. This perception, I am sad to say, is beginning to change, and ominously, the costs are beginning to climb.

Do Canadians link our economic health to a resolution of our constitutional problems? A Royal Bank of Canada poll last week answered this question in stark terms. Eight out of ten Canadians in all regions, the poll found, believe that a constitutional agreement is important to the recovery of the economy.

Here in Québec, Mr. Parizeau offers up a ready solution to our problems. He calls it sovereignty-association, a partnership with the Canada that Québec would leave behind, a partnership that would be negotiated amicably and at little cost. There is a fatal flaw in Mr. Parizeau's reasoning. The vast majority of Canadians outside this province will not accept it.



A few days ago, Prime Minister Mulroney, speaking in Baie Comeau, summed up the only choice facing Quebeckers. "Independence or a renewed Canada", he said, "which will it be?"

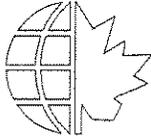
THE BASIS OF A RENEWED CANADA

Wisdom and good sense point overwhelmingly in the direction of a renewed Canada in which the deeply-rooted aspirations of Quebeckers are recognized in a reformed constitution.

What would the renewed Canada look like? The members of the Business Council on National Issues, after two years of hard work, have offered up a vision which seems to reflect a growing national consensus.

It is of a constitution that:

- reinforces Canadian values and characteristics, and celebrates our cultural diversity;
- recognizes the distinctiveness of Quebec and the linguistic and cultural legacies of our two founding cultures;
- offers Canadians from Western Canada, the North and the Atlantic regions the certainty of an effective voice in the central institutions of federalism;

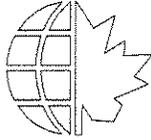


- recognizes the right of aboriginals to govern themselves within Canada;
- achieves a more effective federal system, a balance of powers more in keeping with the times, and improvements in government efficiency and accountability; and
- leads to a much strengthened economic union in which the federal government and the provinces will be partners in removing impediments to growth and in promoting co-operation and co-ordination.

CANADA AT THE CROSSROADS

As I share this vision of Canada's future with you today, we know that our First Ministers are hard at work seeking to craft a new political order for Canada. On the foundations of this new political order, we must build a new economic order. A great deal is stake. Time is running out.

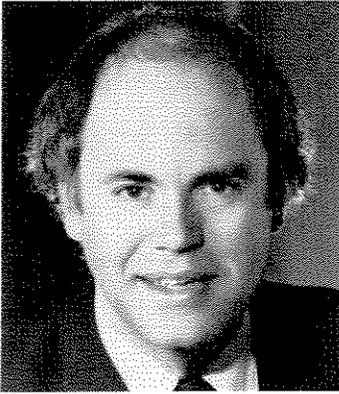
I am convinced that a positive outcome is not only possible, but virtually certain — if, we the people, want it to happen. It is as simple as that. You and I know full-well that in the end, success will not depend on a perfectly written constitution, laced with legal guarantees, or on a technical re-arrangement of various constitutional clauses. Success will be marked by good faith, trust and the will to live together happily as members of one great family.



**Suicide or Renaissance?
Canada at the Crossroads**

Are we prepared to make this commitment? Our ancestors in the millions did, and look at the inheritance they have passed on to us. If still, you hesitate, then I urge you to look into the eyes of our children. If we break this country, they will never forgive us.

Canada, my friends, is at a vital crossroads in our history. The right turn will lead us to a political and economic renaissance. The wrong turn will lead us to national suicide. The choice is ours.



THOMAS d'AQUINO

President and Chief Executive

Thomas d'Aquino is President and Chief Executive of the Business Council on National Issues (BCNI), an organization composed of some 160 chief executive officers of major enterprises in Canada. Formed in 1976, the Business Council is the senior voice of Canadian business on public policy issues in Canada and abroad. A non-partisan and non-profit organization, member companies administer in excess of \$1 trillion in assets and employ more than one-and-a-half million Canadians. Mr. d'Aquino has been President of the Business Council on National Issues since 1981.

Under Mr. d'Aquino's leadership, the Council has played an influential role in shaping the direction of fiscal, taxation, trade, energy, environmental, and competitiveness policies in Canada. In the international arena, Mr. d'Aquino has established the Business Council's presence as a significant actor with a progressive perspective on global issues.

Mr. d'Aquino is a native of British Columbia. He was educated at the Universities of British Columbia, Queen's, and London (University College and the London School of Economics and Political Science.) He holds B.A., LL.B., and LL.M. degrees, and is trilingual.

Mr. d'Aquino's career combines experience in government, business, and law. From 1969-1972, he was a Special Assistant to the Prime Minister of Canada. From 1972-1975, he was associated with an international management consulting firm in London and Paris where he worked on strategic business problems. From 1975 to 1983, Mr. d'Aquino managed his own consulting firm and acted also as an advisor to clients in Canada and abroad on domestic and international policy and legal problems. During this period, he was a Professor Adjunct of the Faculty of Law of the University of Ottawa where he lectured on the law of international business transactions, trade, and the regulation of multinational enterprise. From 1987 to 1990, Mr. d'Aquino served as Special Counsel to McCarthy & McCarthy, a leading Canadian law firm with offices in Canada and abroad. An expert on trade, he is acknowledged as one of the private sector architects of the Canada-United States free trade initiative.

Mr. d'Aquino serves on a number of boards and advisory committees. These include the International Trade Advisory Committee (ITAC) to the Minister for International Trade; the Defence Industrial Preparedness Advisory Committee (DIPAC) to the Minister of National Defence; and the Editorial Boards of Policy Options, a publication of the Institute for Research on Public Policy, and of Canadian Public Administration. He also serves on the board of the Canadian Council for Social Development, the Liaison Group of the Business Council for Sustainable Development (Geneva), and he is an Associate of the Corporate Higher Education Forum.

Mr. d'Aquino was a founder and member of the Executive Committee of two organizations which have played a significant role in national debates in Canada on trade and constitutional issues respectively: the Canadian Alliance for Trade and Job Opportunities (1988-1989), and Canadians for a Unifying Constitution (1989-1990). He also has played a leading private sector role over the past decade in promoting closer co-operation between the business and the labour constituencies in Canada. He was a founding member and Co-Chairperson of the Canadian Labour Market and Productivity Centre, Canada's principal vehicle for business-labour dialogue on national economic issues.

Mr. d'Aquino has been referred to as one of Canada's foremost policy strategists and one of the country's most effective business ambassadors abroad. A specialist in a number of public policy areas, he is the author of numerous publications, a regular commentator on national radio and television, and a frequent speaker on platforms in Canada, the United States, Mexico, Europe, Japan, and the Pacific Rim.

Mr. d'Aquino and his wife Susan live in Ottawa.

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