

NATIONAL AND GLOBAL  
**PERSPECTIVES**  
NATIONALES ET MONDIALES

Canadian Business Leaders Speak  
Les chefs d'entreprises du Canada s'expriment

## FOREWORD

This issue of **National and Global Perspectives: Canadian Business Leaders Speak** canvasses a wide range of topics of interest to Canadian business and government decision-makers. Canada's ailing economy and sorry fiscal position were the subject of an unprecedented joint statement on the economy issued by BCNI, the Canadian Chamber of Commerce, and the Canadian Manufacturers' Association on October 11, 1990. Excerpts from this statement appear on pp. 1-2. **Jacques Drouin** also discusses the deteriorating economy and Ottawa's debilitating financial problems, and calls for business to assume a leadership role in finding ways to get out of the mess.

Two contributors comment on environmental issues. **J. Edward Newall** emphasizes the need to achieve a balance between environmental regulation by government and self-regulation by industry. **Jack MacLeod** explores the concept of sustainable development and briefly comments on how the various federal and provincial Round Tables on Environment and Economy are trying to grapple with it.

Turning to the changing international economic environment, **Matthew Barrett** calls for renewed efforts to build a stronger multilateral trade system based on the GATT and the OECD. **Cedric Ritchie** criticizes the tendency of governments to be preoccupied with yesterday's trade negotiating agenda, and urges that more attention be paid to developing new international rules to govern trade in services -- which now accounts for 20% of all world trade.

**Stephen Bellringer** explains why we are likely to see a growing emphasis on business ethics in the 1990s. **Kerry Hawkins** discusses why business should be concerned about the failure to integrate Canada's native peoples into the labour market. Finally, **Marshall Cohen's** retrospective look at some of the most common forecasts offered in the 1980s should be a humbling experience for all those who like to predict the future.



Jock A. Finlayson  
Editor  
October 16, 1990

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## "NATIONAL AND GLOBAL PERSPECTIVES: CANADIAN BUSINESS LEADERS SPEAK"

JOINT STATEMENT ON THE NATIONAL ECONOMY...issued by the Business Council on National Issues, the Canadian Chamber of Commerce, and the Canadian Manufacturers' Association, Messrs. Thomas d'Aquino, Timothy Reid, and Laurent Thibeault

(News Conference, Ottawa, October 11, 1990)

In making this joint economic statement today, we wish to underline the growing concern within the Canadian business community that domestic macro-economic mismanagement, persistent fiscal laxity, and a failure to come to grips with the magnitude of the competitiveness challenge confronting Canadian industry are steadily undermining Canada's economic prospects.

At present, most of Canada's manufacturing and resource industries are in recession, and many service industries face increasingly unfavourable business conditions. Bankruptcies among small and mid-sized companies are soaring, and business confidence has dropped to levels not seen since the 1981-82 recession. In short, there is mounting evidence that Canada may be on the crest of a full-scale economic recession. Because inflationary pressures remain strong in some parts of our economy, even though growth has come to a halt, the risk is growing that Canada may experience a period of "stagflation"....

Canada's weakening economy calls out for some easing of interest rates - indeed, rates have finally started to fall. But the scope for interest rate relief undoubtedly would be significantly greater if Canada's governments collectively had done a better job managing

their fiscal and spending policies over the past several years. Unfortunately, the record in these areas is far from impressive.

All levels of government have contributed to Canada's increasingly worrisome fiscal state. Although the federal government has limited the average annual increase in its program spending to under 4% since 1984, it has failed to arrest the dangerous rise in the net federal debt-to-GDP ratio, which escalated sharply in the 1980s and has now reached almost 56%. Canada stands out among industrial countries as one with a particularly strong addiction to government debt. The net public debt has been growing faster in Canada than in most other industrial countries. Successive federal deficits in the range of \$30 billion each year, and the disastrous increase in debt to which they have given rise, have contributed greatly to the crushingly high real interest rates which Canadian businesses and workers are now facing. High deficits and high interest rates are the inevitable results of a combination of lax fiscal and tight monetary policy; these have proven a deadly combination for the Canadian economy....

While the fiscal policy record of the federal government has been unimpressive over the past several

years, the spending and tax policies of the provinces also have been important factors behind the growing problems of government debt and declining competitiveness. The provinces have added to both inflationary pressures and Canada's fiscal problems through rapid growth of their own program expenditures, which rose on average by 6.4% per year over the 1984/85 - 1989/90 period -- more than 2% higher than the average annual rate of inflation. Ontario has exhibited the least discipline in this regard. Its spending jumped by an astonishing 9-10% annually between 1986 and 1990 -- at a

time when the province's overheating economy already was growing briskly.

High interest rates, caused in large part by excessive spending and tax increases at both the federal and provincial levels and by the ballooning federal debt, are seriously undermining Canada's competitive position in the global marketplace. If allowed to continue, high interest rates and the undisciplined spending and tax policies favoured by our governments will erode the future standard of living of all Canadians.

JACQUES A. DROUIN. . . on Canada's alarming political and economic state, and what business leaders can do about it

(Address to the Canadian Club, Montreal, October 1, 1990)

Our beautiful country, whether we identify ourselves more with Quebec or Canada, or whether we identify strongly with both, is exceptionally fortunate among the nations of the earth. Whether we're talking about our economic position or our quality of life, our cultural heritage or our ethnic diversity, our standards of health and education, the abundant availability of natural resources, or our political stability and tradition of tolerance, our country is a land envied by many people around the world.

Yet, and this is as incomprehensible as it is incredible, we're in the process of ransacking this

exceptional heritage. And things are moving very quickly. Our mood is changing, too, and very much for the worse. From optimism and confidence, in ourselves and in our future, we've developed a mood of pessimism that is unfortunately justified by events, and forces us to take a very sober view of things. The international community is also becoming more aware that there is cause for concern in Canada.

This negative wave is badly out of sync with developments in other regions of the world, especially Europe, where we're seeing a tide of optimism and unprecedented economic strides. This contrast

makes our situation all the more troubling, and we have every reason to take a hard look at ourselves.

Without overdramatizing, I would like to take this occasion to sound an alarm about the potentially disastrous situation in which our country finds itself. Let me give you a few symptoms of our national malaise.

1. According to the economic forecasts of several leading institutions, our country will experience the weakest growth among the G-7 nations in 1990 and 1991. Accumulated deficits and the national debt are strangling the economy. And the servicing of the debt is nearly beyond our means, especially when you consider we're on the verge of an economic recession. Technically we may have to wait a few more weeks for the third quarter numbers to confirm two consecutive quarters of negative growth. But trust me, we are in a recession. I am sure you see it every day in your business. Demand is down. And costs, especially the cost of money, are up.
2. Our labour productivity is among the weakest of all the industrialized nations, and our investment in the R&D sector is equally weak. We know perfectly well that these investments are our best long-term guarantee of remaining competitive on an international

scale, yet our R&D levels remain stagnant at a dismal 1.3% of GNP.

3. We can attest to our collective deterioration every day when we consider how infrastructures are falling into disrepair, whether it's our roads, our transit equipment, our badly equipped or disused educational institutions, or the deterioration of our hospital system -- all around us we can see our infrastructures falling into disrepair.

In short, our country has all the symptoms of a business heading for bankruptcy....

One approach, one way of getting at this problem, would be to set up a core group of business leaders from Quebec and Ontario, as well as the Atlantic and the West, either under the shield of an existing organization or a new one. The Business Council on National Issues, for example, could certainly be a key vehicle to head up such an initiative. This group would have as its mission:

- to define a strategy of economic recovery for the country. With the assistance of the abundant research available, it should be relatively easy to define an economic strategy which will enable the country to build on its factors of excellence and competitiveness.
- For once in our history, such a strategy would enable us to establish a common vision

among our economic leaders and above all a united voice as to the priorities of the day.

- Such an initiative would enable us to influence with that united voice our political leaders and their senior officials, whether in Ottawa, on Queen's Park or Grande Allee, or elsewhere, as to the importance of these priorities.
- Obviously, such a step would result in a severe austerity program for all our governments, and for fiscal and monetary policies better adapted than they have been to our current economic reality.

(To sum up), I would make the following points:

1. We must dramatize the importance and the urgency of the imminent economic crisis and begin to take constructive action while we still have a small bit of room to manoeuvre.
2. We must make economic recovery a national priority at least as important as constitutional reform.

3. The private sector must take the time and the care itself to define a national program for economic recovery. I don't suggest this in any arbitrary way such as to exclude, for example, the trade union leadership, or the academic community. But we don't have a whole lot of time to build a consensus, and it must start someplace, and I would suggest the business community is the best place at this time.

4. Once these priorities are established, a political dialogue can be undertaken with the political leaders and their top officials to achieve what is truly a societal project.

5. Governments must be urged to support the implementation of the plan by rigorously pursuing the slimming down of the state, by creating a climate that encourages innovation and entrepreneurship, and by bringing forward policies that promote the economic recovery.

#### J. EDWARD NEWALL . . . on environmental regulation and responsibility

(Address to Financial Post Conference, Ottawa, June 7, 1990)

On the issue of regulation, environmental responsibility presents a stubborn, and difficult

quandary for both industry and government. On one hand, it is essential that Canadian businesses

remain competitive in global markets. At the same time, Canadians are demanding superior environmental performance.

When the question of regulation arises, every industry will argue on the side of self-regulation. Enlightened self-regulation is always the best route, if well done. From a business perspective, we know that some government regulation is necessary, and is often desirable. It is imperative, however, that the legislators produce consistent and timely direction and this is only possible through close and effective consultation with industry leaders. We also strongly encourage governments to avoid the duplication and contradictions that come from overlapping federal and provincial initiatives.

Government regulations sometimes encourage behaviour that is not in the best interests of the environment. For example, regulators forced the storage of both tires, and PCBs in Ontario and Quebec in the expectation that there would be a better way to dispose of them in the future. This, despite the fact that all available reputable science supports proper incineration of both as completely safe. If the regulators had permitted safe incineration, three communities would have been saved from the problems that resulted from fires. The tire situation and the PCB situation are outstanding examples of inept regulation responding to unscientific emotional issues rather than responding to fundamental

science in the true interests of Canada's environment. On the other hand, the Montreal Protocol for CFCs is an outstanding example of science and regulation working hand in hand to benefit the environment....

Many business leaders now see the advantages of protecting the environment on both sides of the ledger. Companies can use their environmental performance to improve their competitive edge by being innovative, and by discovering new products and services.

New environmental challenges mean that new approaches to management are necessary. All industrial leaders must develop a philosophy that embraces environmental stewardship as an integral part of doing business. It is a challenge for management to create a set of beliefs, and principles, and to devise a strategy and a plan of action to implement environmental objectives. It has also become management's task to audit progress toward those objectives and to spur that progress....

The public determination to have a safe, clean environment, and the corporate need to comply are forcing every company, everywhere, to re-evaluate, and re-order priorities. The task is a formidable challenge, but our goals can, and will be achieved. Remember that someone once said that two men of one mind can turn clay into gold.

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MATTHEW W. BARRETT. . . on the need to build a strengthened  
multilateral framework for international trade

(Address to the Canadian Chamber of Commerce, Japan, Tokyo,  
April 5, 1990)

We must recognize that it is no longer enough for Canada simply to be in favour of GATT and all it stands for. There is a clear need to build a new framework, a super-GATT, to structure international trade into the 21st century. Trade disputes will always be with us; the rapid, unpredictable evolution of the world economy will ensure that. Our task is to draft rules of the game that will allow business to be done in a predictable way and disputes to be settled fairly and quickly.

Such a framework would rest on the GATT principles of non-discrimination and national treatment, but it would go well beyond them. It would include all significant trading countries -- in particular, we would seize the historic opportunity offered by the revolutionary changes in the Soviet bloc to include the former members of Comecon.

Second, it would cover all forms of trade, including trade in services, technology and intellectual property, and all foreseeable barriers to trade -- I say foreseeable, for this is a field where human ingenuity is likely to be limitless. Finally, it would provide effective mechanisms and clear rules for the settlement of disputes. Here the procedures

setup by the Canada-United States trade agreement may be a useful model.

The goal of such a framework would be "full-factor mobility" among all the trading partners in the system -- that is, the free exchange of all the factors of production that can be traded: goods, services, investment and technology.

The existing GATT structures should probably not be the only point of departure for such an ambitious program. The Organization for Economic Cooperation and Development, which has the scope and expertise to deal with the full range of issues affecting world trade, could be a powerful supplementary force. Ultimately, the framework would be incorporated in the United Nations system, as was the intention of the founders of GATT.

Clearly, achieving all this will be a tall order. Yet it is always useful to know where you are trying to go, and this is where I believe the international community should be going, if we are to preserve the achievements of the past 40 years and build on them.

CEDRIC E. RITCHIE . . . on international competition in the global village

(Address to a Seminar on Offshore Information Processing: The Jamaican Advantage, Toronto, July 18, 1990)

The realities of economic life in the Global Village have uncomfortable implications for governments. The industrialized countries of the West won the struggle with Communism by basing their values and institutions on the concept of freedom... the freedom not only of the individual but also of the market economy. Perhaps ironically, some of the countries that were victors in the Cold War have begun to feel the consequences when free markets and the Global Village are united. These consequences can be very unsettling for countries that have been accustomed to winning in the free market game. Suddenly they discover that a lot of other people have learned to play the game too... and often to play it better.

Confronted with this challenge, we have two basic choices -- either respond creatively by resolving to meet the competition on fair and equal terms -- and this includes being prepared to accept the outcome. Or we can react defensively and without confidence, seeking refuge in protectionism.

It is all too easy to be seduced by this second alternative. For example, in 1986, the GATT Secretariat declared that the United States had adopted more protectionist measures in that year than any other trading nation. And that was at the peak of the

free market ideology of the Reagan Administration.

It has been proven again and again that protectionism is always a losing strategy in the long run. In an ideal world, that is a truism. But in the real world of nation states and democratic politics, protectionism still holds powerful appeal for societies under economic siege. And the most insidious thing about protectionism is that it can often be rationalized as a defense against the unfair practices of someone else.

Although the attention of trade policy makers is now focused primarily on curbing agricultural subsidies, in reality, this is the last gasp of yesterday's agenda. The big issue looming for the future is trade in services -- things like banking, engineering, consulting, information processing and so forth -- things that are more "software" than "hardware".

Today, the international movement of services accounts for about 20% of all world trade or well over \$600 billion annually. In my view, our negotiators at the time of the trade agreement with the United States largely missed the boat when it came to services. Trade in services was -- and is -- right at the top of the US agenda. They seem to have understood better than us that the service sector is

where the jobs and growth are in modern economies. And one of the consequences of living in the Global Village is that services are now far more transportable than they once were....

This is why it has become so important to agree on a system of international rules to govern the liberalization of trade in services. Fortunately, the issue is now very high on the agenda of the Uruguay round of GATT. It's one of the main reasons why so much is at stake in those talks.

Certainly there are some risks, since we lack experience in governing the international movement of services. But the theme of my message today is that there is no acceptable alternative to the liberalization of world trade in all its forms. This must be the

goal. The challenge is to achieve this goal in such a way that nations are able to adjust without undue hardship. And for medium-size and smaller countries -- countries like Canada... we have to ensure that economic liberalization remains compatible with national sovereignty.

While it is easy to state the objective, I don't want to minimize the challenge. So how are governments likely to respond? We know that the instinctive response of the protectionists is both futile and self-defeating. But the alternative course -- to design new and appropriate roles for governments in the era of the Global Village -- will require great political courage and vision. Clearly, the European Community initiative should be seen in this light.

JACK M. MacLEOD. . . on the meaning of sustainable development

(Address to the Canadian Association of Petroleum Landmen Twelfth Annual Conference, Montreal, September 17, 1990)

A few words first on the concept of Sustainable Development.

The concept is rooted in Our Common Future, the report of the World Commission on Environment and Development chaired by Ms. Gro Brundtland. Ms. Brundtland was then Prime Minister of Norway. The Commission is popularly known as the Brundtland Commission and the report was published in early 1987.

The mandate of the Commission was to propose a global agenda for the environmental front in order to achieve sustainable development by the year 2000. The Brundtland Commission provided the world with the first, and a simple if not comprehensive definition of Sustainable Development:

"Sustainable Development is development that meets the needs of the present without

compromising the ability of future generations to meet their needs." The basic premise of the Commission was not a gloomy prediction of ever-increasing environmental decay and decreasing resources. Instead it took a focus that a new era of economic growth was possible based on policies that sustain and expand the environmental resource base.

At about the same time as the Brundtland Commission report was published, public attitude toward environmental issues was in the process of major change. That change is now virtually complete. In recent decades various segments of the public have reacted with varying degrees of outrage to environmental accidents in between periods of generally tacit acceptance of the inevitability of environmental degradation. Debate on the issues has been sporadic, confrontational and often one-dimensional. The change is to a public that now views global warming and related environmental issues as potentially life threatening within a generation and is demanding concerted, effective action.

To me, application of the sustainable development concept in response to this public demand for effective action means, at the very least, complete integration of environmental and economic considerations in development decision-making processes. It means the environment and the economy -- not either/or. In fact,

in the broadest sense, sustainable development will not be achieved until cultural and social as well as environmental and economic considerations are fully integrated in government, corporate and individual decision making.

As an immediate response to the Brundtland Commission report, the Canadian Council of Resource and Environment Ministers created a multipartite National Task Force to initiate dialogue on environment-economy integration. The Task Force included among its 40 recommendations that were intended to bring Canada's environment and continued economic development into harmony, that a Round Table process be established to assist in the promotion of sustainable development.

Round Tables are relatively new institutions in the Canadian political system. In the normal course of events, people or organizations with similar interests come together to discuss how their interests can be pursued. In a Round Table process, it is people with traditionally competing interests that are sitting around the same table, discussing how a common goal might be achieved despite their competing interests. As such, Round Tables are multipartite and reflect different backgrounds and experiences, different perspectives and insights, different values and beliefs. In a sense, they are microcosms of society itself, with memberships that draw from the political level

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of governments, the corporate sector, academe and research institutes, the scientific community,

and a variety of public interest and professional groups.

MARSHALL A. COHEN. . . on a retrospective look at forecasts for the 1980s

(Notes for York University's Annual Gillies Lecture, Toronto, April 24, 1990)

Looking back at a decade of enormous and unanticipated change, it is easy to forget how often our forecasts for the era were wrong. That proves the soundness of the advice of the legendary Hollywood producer Samuel Goldwyn, when he said "never make predictions. Especially about the future". The 1980s was a continuing search for simple answers. The rule of three applied: The first time something happened it was a blip, the second was a coincidence, and the third a trend. Many of the trends turned out to be overgrown coincidences.

First of all, I think it is fair to say that at the beginning of the decade we profoundly misunderstood the nature of globalization and underestimated the power of nationalism. Indeed, as Michael Porter has recently pointed out, in a world of increasingly global competition nations have become more important, not less.

Today, as in the past, the reality is that strong forces for wider international economic integration co-exist with strong -- and sometimes fierce -- nationalist

counter-pressures. In fact, the greater our economic interdependence, the louder the demands for national autonomy -- the more urgent the demands for reassurance that cultural identity, heritage, and national autonomy will be protected.

Here in Canada, for example, the free trade debate became the catalyst for a political, economic and cultural debate in which the forces of nationalism had more impact than they had demonstrated in this country for two decades. In the United States, long the leading force for trade liberalization, protectionist pressures have become more vocal and persistent than at any time since the Great Depression....

In the same way that the beginning of the 1980s saw unrealistic expectations about the growth of globalization in our politics, we also overestimated the impact of globalization on business.

We have seen a disintegration of a second myth of the 1980s -- the myth of a single global market that would supersede national

cultures. What was expected was an international convergence of taste; in fact what we have seen is a clear retrenchment. At the beginning of this period, analysts were forecasting the emergence of global products. When that failed to materialize, there was a retreat to the notion of global brands within which national products might differ. Then the trend shifted to global presence, which doesn't necessarily mean the same products or even the same brand identity.

Yes, it is true that kids in Tokyo, New York, Paris and Toronto look alike -- same jeans, same walkman, same pepsi-colas, even the same music. But they also live in different kinds of homes, eat different kinds of food, use different appliances, often prefer different kinds of cars, and so on. Moreover, even if products look alike, consumers often demand they be tailored for local tastes or local requirements, and even that they be made in local markets. We see a growing sense of national variety, and demand for local responsiveness by international firms.

Another expectation of the '80s that didn't materialize to the degree predicted was the reduction of government's role in the economy through deregulation and privatization. As Porter has recently pointed out, where direct government involvement is reduced, it is often replaced by indirect government involvement. In fact, heightened international competition has increased the

demands on the state to devise activist competitiveness strategies and support strategic industrial development. We have seen this in the strong pressure in the United States to favour domestic development of HDTV, and in the negotiations over supercomputers and superconductivity. Even when deregulation does occur at the national level, it leads to pressures for clearly spelled-out rules of the game at the international level.

The web of international regulation is expanding, through the increasingly important role of associations of governments -- such as GATT, the EC, and OECD -- and through an increasingly active role by international bodies, such as the United Nations and its specialized agencies.

At the beginning of the last decade, we also overestimated the likelihood of a convergence of national systems, especially the prospect that the U.S. or Japanese model would be adopted throughout the world. From the perspective of 1990, we see that neither the United States nor the Japanese business system has served their country especially well in the 1980s.

Neither system seems able to discourage massive structural imbalances -- excess spending in the United States and excessive saving in Japan.

The political decision-making capacity in both countries seems to be stuck in a form of gridlock. Neither country seems to be able

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to solve fundamental issues -- in the United States the budget deficit, in Japan the fact that they can't sell products as cheaply in their own country as they can in the rest of the world.

A prevailing notion in the latter half of the 1980s was the tendency to think that the best way to find the solution to all of our

competitive problems was to take the next plane to Tokyo, or read the latest book about Japan. The ironic aspect of this attempt to find all of our answers by looking east was that the most important element of Japanese competitiveness was the one we have had the most difficulty in recreating -- Japan's ability to look to wide time horizons.

STEPHEN T. BELLRINGER. . . on business ethics in the 1990s

(Address to The Purchasing Management Association, Hamilton, June 8, 1990)

There will be a growing emphasis on business ethics in the 1990s. During the 1980s, the public demanded action to promote good ethical business behaviour, and the politicians acted. Some examples in Canada of public demand resulting in action include such diverse issues as non-smoking areas, employment equity, pay equity, removal of lead from gasoline, and information disclosure on hazardous workplace materials.

Ethics are important to business for several reasons. Ethical behaviour is a necessity if you want to do business with some governments, banks or other corporations that require compliance disclosures from suppliers. Sanctions for corporate misdeeds are becoming increasingly significant. Polluting in Ontario, for example, can put company directors and executives in jail, plus subject the company to

substantial fines, not to mention the loss of public trust and future business.

Moreover, corporations also find that they may retain freedom from regulation if the self-regulation inherent in business is successful. The increased interest in ethics shows up in a number of areas:

- 1) The growing emphasis on protecting the environment, as corporations move to manage their activities in an environmentally sound manner.
- 2) The emergence of ethical investing in which investors apply financial and ethical screens to investment opportunities. The current estimate is that the total of ethically invested funds exceeds U.S. \$400 billion.
- 3) The establishment of ethics consulting firms and centres for

business ethics which make available research and information or ethical matters. A growing number of business schools in universities offer business ethics courses.

- 4) The introduction of requirements for the disclosure of ethical and social performance information. Some corporations are introducing compliance standards such as requiring suppliers to meet standards for charitable giving; or borrowers for environmental impacts.

As a result, corporations are increasingly attempting to anticipate future directions so they

are not caught on the wrong side of issues. More companies are willing to act before regulations are implemented and their hand is forced. Leadership of this kind is expected to give a corporation a competitive advantage in a future characterized by tighter labour markets, more intelligent consumers and more risk-averse investors.

The concern which emerged over business ethics in the 1980s will grow in the '90s, and result in new policies not only in the leading companies but in the majority.

KERRY L. HAWKINS. . . on the urgent need to provide employment opportunities to native people

(Address to the Winnipeg Chamber of Commerce, February 15, 1990)

Today, I want to address a public policy issue that will play an absolutely critical role in the economic future of Winnipeg and Manitoba. I will make the case that Manitoba's business community must -- and I choose that word deliberately -- must find ways to help bring Manitoba's native population into the economic mainstream. If we are successful in doing this, our economic prospects can be bright. If we fail, our prospects are dim. It's about that simple.

My remarks are going to be blunt and they will often be critical. My

intent is to demonstrate that Manitoba has a major problem and that we, in the business community, can be part of the solution. Today, in my opinion, we have avoided the issue. We are not doing enough to bring young, educated native people into the business world and we have not developed a sufficiently powerful consensus as yet to enable us to do more....

I think we would all agree that the face of the city has changed. There has been a vital infusion of new groups into the city from many lands and places. But unlike

the early waves of immigration, there is a new factor at work and that is the steady migration of native people from reserves and Metis communities across Manitoba into Winnipeg and other urban centres. Between 1981 and 1986 the population of Winnipeg grew by only 5%, but during the same period the native population grew by 70%.

You can easily see the results of the dislocation....

The truth of the matter is that today Winnipeg and Manitoba are composed of two solitudes. There are reserve and inner city populations -- largely but not exclusively of native ancestry -- who are poor and isolated at the social and economic margins of Manitoba society. And then there is the dominant majority comfortably within the economic mainstream....

The question is -- what are we as a business community going to do about it? Do we, in fact, have any special responsibility to do something about it? I suppose you could answer "no". A person could argue -- hey, we pay our taxes -- personal and corporate. It's the job of government to run its whole host of tax-funded programs to deal with the native employment problem. The proper job of business people is simply to run their businesses as well as they can.

I happen to believe that it is an extremely unrealistic and short-sighted view of the business

community's responsibility. It's unrealistic, because the society we are a part of expects business to abide by high moral standards. It's short-sighted, because we disregard our broad responsibilities at great peril to our community and, in the long run, to our own businesses....

There are two fundamental changes occurring right now that relate directly to the quality of our labour force. First, our economy is changing. Like most of the world's highly developed economies, Manitoba is steadily becoming more service-based. The service industries depend, above all, on properly trained, highly motivated people. Without such people, Manitoba's businesses will suffer a steady chipping away of competitive advantage.

The 25% of the emerging labour force that is of native ancestry has a great contribution to make to this city's economy. Will these young people have the skills, the motivation and the opportunity to get involved, to participate and to contribute to our economic competitiveness? If the answer is no, we are in serious trouble.

The second fundamental change is our aging society. The over 65 group is growing rapidly. The "Winnipeg 2000" Task Force, in fact, shows that we have the highest percentage of total population 65 years and over of any major Canadian city. Stated in the bluntest possible way, there will be fewer people coming into the workforce to replace and

support the growing number who have retired from it.

As a society, our ability to maintain a high standard of living will depend critically on the productivity of new entrants to the labour force. One in four of these will be native. Will they be encouraged to make their contribution to that essential productivity factor? If the answer is no, we are in serious trouble.

Now, looking at our collective efforts to date, it's hard sometimes to be optimistic. I don't know

how many times I've talked to business people and heard them agree that -- yes, there is a problem. The statistics are compelling -- but where's the action? We are not doing a good job in bringing young, native people into the economic mainstream. And I include the company I represent -- Cargill Limited -- in that statement. We all must do better.