

NATIONAL AND GLOBAL  
**PERSPECTIVES**  
NATIONALES ET MONDIALES

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

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## **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.

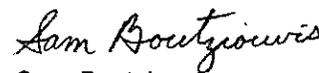
Canada's competitiveness is the subject of several of our contributors. **Cedric Ritchie** urges Canadians to take up the challenge of competitiveness and demand changes to our education system. **David Morton** identifies several economic conditions which are necessary for a company -- and a country -- to operate competitively in today's global markets. **Donald Fullerton** believes that companies in Canada will have to become more internationally competitive and socially responsive in order to be prosperous in the long run. **André Bérard** identifies seven fundamental factors that will pave the way towards a more competitive economy.

Two contributors comment on aspects of the environment. **Arden Haynes** discusses rising expectations for environmentally responsible and ethical conduct in both business and government. **Guy Saint-Pierre** stresses the necessity to revise our traditional methods of natural resource development in a manner which ensures the preservation of the environment.

**Marshall Cohen** explores the consequences of a reduced economic role for the nation-state, and the increased importance of regionalization. **Roger Phillips** profiles the "unfinished business" of the Canada-United States Free Trade Agreement, and suggests an alternative course of action on the dumping issue. **Purdy Crawford** is convinced that unity and prosperity go hand-in-hand and that the Canadian union must be preserved.



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September, 1991

## **AVANT-PROPOS**

Cette édition de **Perspectives nationales et mondiales: les chefs d'entreprises du Canada s'expriment**, traite d'un large éventail de sujets qui intéressent les dirigeants des secteurs public et privé au Canada.

La question de la compétitivité du Canada est abordée par plusieurs des chefs d'entreprises qui ont contribué à cette édition. **Cedric Ritchie** encourage les Canadiens à relever le défi de la compétitivité et demande des changements à notre système d'éducation. **David Morton** recense plusieurs conditions économiques nécessaires pour qu'une entreprise -- et un pays -- puissent fonctionner de manière compétitive sur les marchés mondiaux d'aujourd'hui. **Donald Fullerton** croit que les entreprises au Canada devront devenir plus compétitives au niveau international et plus sensibles aux demandes de la société, de façon à garantir leur prospérité à long terme. **André Bérard** présente sept facteurs fondamentaux qui favorisent le développement d'une économie plus compétitive.

Deux chefs d'entreprises traitent de questions environnementales. **Arden Haynes** commente les exigences croissantes en matière de responsabilité environnementale et d'éthique auxquelles sont soumis à la fois les entreprises privées et les gouvernements. **Guy Saint-Pierre** insiste sur la nécessité de revoir nos méthodes traditionnelles d'exploitation des ressources naturelles, de manière à assurer la préservation de l'environnement.

**Marshall Cohen** explore les conséquences d'une réduction du rôle économique de l'État-nation et de l'importance croissante de la régionalisation. **Roger Phillips** traite des "questions non-réglées" de l'Accord de libre-échange canado-américain, et suggère un nouveau moyen d'aborder la question du dumping. **Purdy Crawford** est convaincu que l'unité et la prospérité vont de pair et que l'union canadienne doit être préservée.



Jock A. Finlayson  
vice-président, recherche et politiques



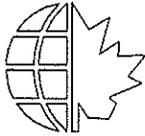
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Septembre 1991



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***CEDRIC E. RITCHIE***  
***... on education and competitiveness***

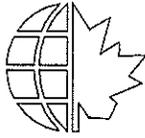
(An Address to the Canadian Club of Toronto,  
April 29, 1991, Toronto, Ontario)

I believe the time has come for Canadians to consider a national high school examination, at least for every potential graduate, and perhaps in some of the lower grades as well. Canada and the U.S. have long shunned the notion of universal testing, despite the widespread use in Europe and elsewhere. Now, even the U.S. has been moved to reconsider....

No doubt there will be many educators, and some parents as well, who will criticize this notion, claiming it would produce rote learning geared only to passing the test. But surely, our teachers will be more imaginative than that. Others may complain that a

national test would be too insensitive to the widespread cultural differences in Canada. My response is that we can have "standards" without "standardization". I believe it is not expecting too much to demand a decent universal level of competence in mathematics, history, the sciences, and in the use of languages....

I believe it is important for the pride of any society to have within its midst institutions of the highest calibre in the world. That is the kind of uncompromising excellence we must have more of in this country. And in a more pragmatic vein, Canada needs one or two truly outstanding



institutions so that our brightest students are not forced to go abroad to gain graduate research experience on the highest plane. A Canadian university in the top global rank would also establish a standard of excellence that would cause all of our institutions of higher learning to raise their sights. Furthermore, it would provide a focal point of expertise and graduate talent for the leading-edge industries that Canada must develop if we hope to maintain our position as a top-tier country.

The examples I have discussed today -- national testing in our schools; a genuine commitment to the internal common market; a reorientation of our regulatory philosophy to favour innovation and competition; and, finally, the idea of a world-class university -- are connected by two themes that many Canadians find somehow threatening. The two related

themes are "competition" and "excellence". These are not comfortable concepts because they harbour the risk of failure. And for this reason, we Canadians may be reluctant to take up the challenge of competitiveness with the degree of commitment that is required....

My purpose today has been simply to leave with you some food for thought as to the kinds of measures that must be addressed if we are really serious about competitiveness. And if, in our democratic wisdom, Canadians turn out not to be really serious about facing up to global competition, we might nevertheless still succeed in being a happy and well-adjusted people. But most assuredly, we will not be prosperous. The choice is ours.



**DAVID MORTON**

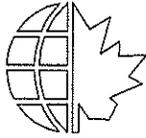
*... on the economic conditions necessary to be  
competitive*

(Address to the 89th. Annual Meeting of the Shareholders of  
Alcan Aluminium Limited, April 25, 1991, Montreal, Canada)

...I believe that there are a number of economic conditions which are of paramount importance for a company -- and by extension a country -- to operate competitively in today's global markets. I suggest that they are equally important in meeting Canada's need to rebuild and expand its ability to generate wealth. From this flows the creation of jobs and the ability to fulfil social expectations that are universally demanded. Spelling out these conditions is, I suggest, a legitimate contribution of the business community to the current debate.

What, then, are the conditions for business which will enable Canada to pass through these choppy waters and re-establish its position among the top economic performers in the world?

Firstly, the availability and the cost of capital must not be adversely affected. Canada needs access to international as well as Canadian capital for its continued growth. But we all know that capital frightens easily and moves rapidly. This implies, among other things, that there must be continuity in economic



rules -- for example, taxation (including bilateral tax treaties), trade policy (including trade agreements), and labour laws. Even the threat of inconsistency will tend to stifle investment.

A related requirement in the financial area is the continuance of a single, strong, and freely convertible, currency. In connection with both this and the availability of capital, I would underline the importance which the international community attaches to political stability -- and history provides much evidence to support the correctness of this view.

Next, we need to implement within Canada, the full conditions of a common market, that is to say the abolition of inter-provincial barriers to the movement of goods, services, labour and capital. Without this, we are fighting world competition

with one hand tied behind our back.

Finally, in this era of global competition, we must recognize that Canada is a relatively small country, and small market, on which to build an internationally competitive industrial base. We must therefore continue to implement and further develop multilateral, and where appropriate, bilateral trade liberalisation...

Unless we can create wealth, we cannot achieve nor afford the social goals which we now so universally demand. Job growth, social and medical care, the protection of the environment, the educational and cultural enrichment of our and future generations -- all these are only possible to the extent that we, as a society, create the wealth to endow them. This is why I say that an enhanced ability to create



wealth is an essential requisite for  
Canada's future.

***R. DONALD FULLERTON***  
***... on competitiveness and social issues***

(An Address to the National Investor Relations Institute Canada,  
June 18, 1991, Toronto, Ontario)

Over the next few years, companies in Canada are going to be subjected to increasing pressure from governments, the public, their own employees, and even their own shareholders, to demonstrate significant progress on such key social issues as employment equity, the environment, workplace health and safety, day care, and parental leave.

At the same time, competition is going to intensify, not only within Canada because of free trade, but globally as well due to the emergence of powerful trading

blocs in Europe, Southeast Asia, the Japan-Pacific region, and here in North America.

Those companies wanting to be both socially responsive and internationally competitive will have to go beyond mere rhetoric and token programs. They will have to institute comprehensive internal change -- and provide information that convinces people of that change -- if they expect to maintain their credibility and their markets.

Smart companies will go even further. They will adopt



aggressive initiatives that anticipate -- and even exceed -- public expectations and government regulatory requirements in these areas.

And they will establish aggressive communications strategies to complement and support these initiatives -- strategies based on openness, accessibility, and delivering the straight goods.

It will not be easy to balance the need to be lean and efficient for performance and competitive purposes with the need to meet the legitimate requirements of the

workforce, the community, and the country -- especially when some countries ignore these latter requirements.

However, I believe the last 10 years have demonstrated that the industrialized world shares the same concerns and objectives. In other words, those countries that make a commitment to balance productivity and efficiency with people and the environment will assuredly win in the long run.

And that is how you build credibility.

**ANDRÉ BÉRARD**  
*... sur notre défi à tous*

(Discours à la Chambre de Commerce de la Rive-Sud,  
jeudi 27 février 1991, Montréal, Québec)

Il faut s'attaquer aux facteurs fondamentaux de la compétitivité

car ce sont eux qui comptent en bout de ligne. Ceci m'amène au



plan d'action que l'on doit mettre en place. Premier pas dans la bonne direction. La récession en cours purgera l'économie de ses attentes insoutenables. Les salaires avaient commencé à s'emballer, en particulier en Ontario et dans nos grandes entreprises exportatrices. Dans certaines régions, le coût des résidences et des espaces commerciaux et industriels avaient atteint des niveaux sans commune mesure avec la capacité de payer des consommateurs et des entreprises. Il était temps de remettre de l'ordre dans tout cela et la récession actuelle va de toute évidence s'en charger.

Deuxième point: Il faut continuer sans faillir la cure d'amaigrissement du secteur public. On ne dira jamais assez souvent et assez fort tout le tort causé par nos déficits publics, notre incapacité à contrôler les dépenses, le biais inflationniste

du secteur public, la hausse du coût de financement des entreprises et l'endettement interne et externe causé par le déficit.

Troisième point: Il faut dégraisser le secteur public et le rendre plus imputable envers la population.

La décentralisation, en enlevant des intermédiaires entre la population et les décideurs m'apparaît une bonne façon d'accroître cette imputabilité. Une bonne façon aussi d'économiser dans les coûts de fonctionnement de l'État tout en modulant mieux les services publics au gré des attentes des populations desservies.

Quatrième point: Il faut aussi décloisonner les chasses gardées, déréglementer et privatiser ce qui peut l'être. Cessons de subventionner des investissements dans certains



secteurs parce que les salaires sont parmi les plus élevés d'Amérique alors que dans bien des cas ces mêmes subventions entraînent des représailles commerciales qui minent la rentabilité d'industries très compétitives par ailleurs. Il y a sûrement quelque chose qui cloche quelque part lorsque l'on voit Buffalo devenir le plus grand centre d'achat ontarien après être devenu le plus grand parc industriel. Et ça avec ou sans la TPS.

Cinquième point: Il faut manifestement plus de flexibilité dans notre économie. C'est fou, mais dans beaucoup de domaines il y a moins d'obstacles dans le commerce entre l'ensemble du Canada et les États-Unis qu'entre les provinces canadiennes entre elles.

Heureusement que le ridicule ne tue pas.

Sixième point: Il faut arrêter de désinvestir dans la R&D et la formation. Je reprendrai ici une citation utilisée récemment par un homme d'affaires connu: "Si vous pensez que l'éducation ça coûte cher, essayez l'ignorance".

Septième point: Tout nouveau partage des pouvoirs et des responsabilités entre le fédéral, le provincial, et le local devrait se faire sur la base de l'efficacité. Et dans ce partage des sommes gigantesques qu'engouffre l'État, on devrait ajouter un quatrième palier, un quatrième partenaire comme on l'appelle: retourner au secteur privé et aux citoyens ce que l'État gaspille ou n'est pas en mesure de gérer efficacement. Nous, qui devons être compétitifs pour survivre, nous ne pouvons pas accepter d'être handicapés par les secteurs qui sont eux protégés des forces du marché.

Les prochaines années seront les années de tous les dangers et de



toutes les opportunités. Pour que ces opportunités deviennent des réalités pour notre économie, il

faut qu'elle regagne vite sa compétitivité. C'est notre défi à tous.

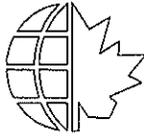
**ARDEN R. HAYNES**  
*... on ethics and the environment*

(Article in the Spring Issue of Canadian Public Administration,  
Volume 34, No. 1, pp. 17-20)

Throughout North America, there are new coalitions of shareholders springing from a variety of institutions, including churches and universities. They are advocating corporate social responsibility, and they are being heard. Here in Canada, to cite one recent case, a coalition of Canadian churches with shares in a major forest products company filed a proposal asking for improved environmental reporting and auditing of forest management practices. Similarly, in my own industry, all major oil companies in the United States

have received shareholder resolutions concerning environmentally responsible conduct....

Simply stated, ethics refers to the articulation of the values or beliefs that guide an individual, or a given group -- namely, a corporation or a government -- and result in a certain standard of behaviour. In our complex and rapidly changing world, where many shades of grey can travel the spectrum between right and wrong, it is helpful to understand acceptable standards of honesty,



integrity, fairness, and good faith. These are the qualities that define ethical behaviour and success of any business depends on them. Within the realm of public service, the very heart of the public trust depends upon them....

Business and government share many key issues and challenges, not the least of which is a common need to meet the expectations of the numerous and diverse stakeholders mentioned above. It is notable also that these expectations are changing all the time, and will continue to do so. Consider again the example of the environment. It now ranks as a major ethical issue for Canadians. Not one of us will remain untouched by the evolving public expectation that the time has come -- as a recent magazine headline put it -- to fix up, clean up, and pay up.

Throughout this decade, expectations will likely centre on ethics and environmental protection. Fulfilling regulatory requirements is no longer good enough; for both the private and public sectors, the scrutiny will be intense and unrelenting as our stakeholders put absolutely everything we do under a microscope. Accountability to many publics is the new watchword for government and business....

A priority task, indeed an ethical dilemma, for business and government is to strike a balance between the world we want to live in and what we are willing to pay for it. It is an extremely complex question. And we will agonize over it because we live in a society that demands the best of all possible worlds. In my own industry, for example, society wants lots of low-cost energy and



petroleum products, but is less and less willing to accept any environmental risk....

It is critical to remember that good ethics are never bad business and good ethics are

never bad government. Our shared task is to keep this simple truth in plain view as we endeavour to meet successfully the ethical expectations of our many stakeholders.

***GUY SAINT-PIERRE***

***... le mieux est parfois l'ennemi du bien***

(Discours à la Chambre de Commerce du Montréal Métropolitain,  
le mardi 23 avril, 1991, Montréal, Québec)

J'estime que la qualité de l'environnement est notre responsabilité à tous. Nous devons respecter l'équilibre précaire qui existe dans la nature. Il faut d'abord démystifier les divers aspects de la pratique écologique, informer chaque personne des réalités environnementales, tenir aussi une comptabilité sérieuse de l'environnement face à l'économie. Chaque semaine voit

apparaître de nouvelles solutions à des problèmes écologiques. Nous devons les intégrer à notre vie aussi rapidement que possible.

Nous devons de toute urgence mener à terme la révision de nos règles d'évaluation des impacts environnementaux, non pas pour les affaiblir ou les annihiler, mais pour les rendre plus transparentes, plus efficaces, et



surtout, plus prévisibles. Une société comme Hydro-Québec, qui gère les besoins énergétiques principaux de la population québécoise, ne peut être constamment soumise à des processus dont la durée est aléatoire. Cela risque de nous coûter des milliards de dollars comme société.

Mais... l'écologie ne doit pas être un débat. Le milieu des affaires souscrit de plus en plus à l'objectif du développement durable, mais nous demandons qu'on nous donne les instruments permettant la prise en compte de l'environnement au stade initial des processus de décision.

En conclusion, le Groupe SNC croit profondément à la nécessité de réviser certains de nos modes traditionnels de développement des ressources, de manière à mieux assurer la gestion et la préservation de l'environnement.

L'économie et l'environnement ne sont pas, ne doivent pas devenir de nouvelles religions remplies de rites, de mystères, d'interdits et soumises à une forme d'inquisition. Ces valeurs doivent être harmonisées de façon à permettre le développement de nos ressources essentielles, dans le sens de notre plus grand bien-être collectif à long terme.

Je veux que mes concitoyens et descendants vivent dans un monde équilibré et sain. Mais en ce moment, je crois que nous évoluons trop lentement vers une véritable intégration de l'environnement et des enjeux économiques, à l'heure où le Québec doit effectuer des choix historiques vitaux.

Un coup de barre s'impose. Il faut que nous dépassions ces embourbements bureaucratiques, les jeux de pouvoir et les débats idéologiques stériles qui



surgissent autour de la plupart des projets majeurs de développement économique.

Le mieux est parfois l'ennemi du bien....

Le Québec, globalement doit aussi poursuivre ses projets

vitaux sans être immobilisé par des impératifs bureaucratiques excessifs. Les enjeux sont essentiels, trop essentiels pour que la situation actuelle persiste.

**MARSHALL A. COHEN**  
*... on clusters of excellence*

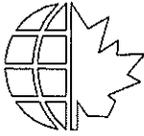
(An address to the Canada/U.K. Chamber of Commerce,  
June 11, 1991, London, England)

All major countries -- not just Canada -- are experiencing pressures of external integration. And all major countries -- not just Canada -- are at the very same time experiencing severe pressures of downward disintegration. We see this in strong and persistent demands for local autonomy -- even sovereignty -- in regions

throughout the industrialized world.

What seems to be happening is that, as the primacy of nation-states erodes, old identities and loyalties are beginning to reassert themselves....

Many are concerned that decentralization and enhanced



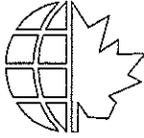
regionalism within nations will increase inefficiencies. But even from the point of view of production, competitiveness is not necessarily a matter of building larger units. Michael Porter talks about "clusters of excellence" -- elements that are not so much a matter of quantity as of quality, such as the quality of educational systems, the nature of public policy, the attitudes of workers, managers and customers, and most importantly the dynamism of competition.

"Clusters of excellence" do not depend upon centralization; given the right mix of public policy and private initiative, they can emerge in regions or even cities. The key is the synergy of producers, suppliers, customers and competitors in a given area -- large or small. In fact, for many industries the nation as such may not be the most appropriate political entity for fostering

clusters of excellence. Indeed, national industrial strategies are of dubious value in an era when we do not have contained national economies.

Indeed, the most appropriate political frame of reference for developing clusters of excellence may be one that combines an over-arching arrangement -- like the Single European Market or a North American Free Trade Area -- with smaller but more active regional and local entities. The important point about these regional economies is that they will look outward to the global economy, rather than to national capitals, as the main force in shaping their economies.

The reduced economic role of the nation-state, and the increased prominence of regional groupings of nations, leads many to see a grave danger -- the potential fragmentation, rather than



integration, of global trade. The concern is that, in the creation of Europe 1992, and the North American Free Trade Area, we are creating a Fortress Europe and a Fortress North America.

My view is that, while regional protectionism is a danger, it is not inevitable. Rather than spawn a new wave of protectionism, the new regional trade relationships we are seeing could become a new source of progress in trade liberalisation....

Throughout the world, we are coming to terms with a new reality: the borders of the economy are no longer the borders of the state. In Europe, you have a head start over us North Americans in recognizing that fact and dealing with it. We will have an opportunity to learn from you -- and I hope you will have an opportunity to learn from us as well.

**ROGER PHILLIPS**  
*... on the "unfinished business" of  
the Free Trade Agreement*

(An Address to the Centre for Trade Policy and Law,  
March 14, 1991, Ottawa, Ontario)

When the outline of the [Free Trade] Agreement was first revealed in October 1987, the flawed "unfinished business"

aspect -- the failure to settle the treatment of dumping -- was identified by many, more vocally by some such as myself. When



the chips were down in the 1988 Federal Election, many in business publicly supported the FTA....Why did we do this?

First, we believed that to fail to ratify the FTA would leave Canadian business subject of the full wrath of a protectionist U.S. Congress....

Second, we were assured privately that, as soon as the FTA was in place, our government would push for a solution to the dumping issue. No mention of the GATT "cop-out" was made.

We now have a new reason for further delay. By inviting ourselves into the U.S.-Mexican free trade talks, we make it difficult to argue that we should proceed unilaterally with the Americans on the dumping issue. As a former officer of a company which had operations in Mexico, I can assure you that finding a

substitute for dumping protection involving that country will be much harder. Mexico does not even have competition laws...!

I would suggest to you that a proper course of action would be for Canada to shift gears and immediately press for action on resolving the dumping issue under the FTA....

And if initial discussions with the U.S. on the subject suggest there will be heavy sledding achieving the "national treatment" solution, then I have another suggestion.

Canada should revise its anti-dumping regime to more closely parallel that of the U.S. While such a move would toughen it up considerably, and would require consultation with the U.S. under the FTA, it would be difficult for the Americans to object to the same system they themselves use.



If we cannot solve the dumping issue, giving each side a level playing field on the other's

territory, at least we should treat each other the same way.

**PURDY CRAWFORD**

*...unity and prosperity are key*

(An article whose abridged version first appeared in  
The Financial Post, April 20, 1991)

We should reject any change that would break Canada into two or more parts. Canadians, in all parts of Canada, are not sufficiently aware of the enormous economic and other benefits that flow to us from the strength of our international identity. We in business often talk about the hidden value of a strong trademark. The key feature of a strong trademark is consumer trust based on a long standing performance in such areas as product quality, consistency, and dependability. Such products command

premium prices. If the countries of the world were thought of as trademarks, Canada would be among the very best. As a result, we have a level of credibility and support in the pursuit of our international, commercial, and political objectives that could never be replaced if Canada were to split in two.

The implication within Canada of a break up would be equally catastrophic. It would involve a whole range of "nasty questions" related to existing public debt, territorial claims, and monetary



and fiscal policies that would take years to solve.

During and after any break-up scenario, Quebec's ability to promote and defend its economic interest vis-à-vis the rest of Canada would be dramatically weakened. Its negotiating position would shift from that of the second largest province operating within a framework of shared values and history to that of dealing with a political, demographic and economic grouping three times its size.

Moreover, the prospects for a continuing federal union without Quebec are not great in the long term. The Atlantic provinces would be geographically isolated; Ontario would represent half of the population; and the Western provinces would undoubtedly insist on more autonomy.

All of us would shoulder the cost of the financial, commercial, and

trade disruptions a break-up scenario would create. The standard of living of every Canadian, not just those in Quebec, would fall.

This statement is simple reality, not political scaremongering.

In summary, my answer to "how much change" is clear. We can accept and benefit from substantial change in the present division of powers, and in the role of federal political institutions like the Senate. But we must preserve the federal union that is Canada.

No matter which province or territory we call home; no matter what ethnic, religious, cultural and linguistic affiliation and heritage we have; our social, economic and political development will be more certain, more substantial and more exciting as citizens of Canada.



NATIONAL AND GLOBAL PERSPECTIVES  
PERSPECTIVES NATIONALES ET MONDIALES

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Our duty to the future requires every one of us to demonstrate the courage, tolerance, and understanding that are the indispensable prerequisites of the

changes required to create the new Canada -- united, just, effective, and focused on the challenges and opportunities of the 21st century.