

NATIONAL AND GLOBAL
PERSPECTIVES
NATIONALES ET MONDIALES

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

The Challenge Before Us

A Statement by Members
Business Council on National Issues

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February, 1992

FOREWORD

This issue of **National and Global Perspectives: Canadian Business Leaders Speak** touches on several topics of interest to Canadian business and government decision-makers.

Several contributors, together with a recent statement by members of the Business Council, address Canada's constitutional future. The essentials necessary for a major political accommodation were outlined in a statement by the BCNI on January 22, 1992. **Allan Taylor** exhorts Canadians to face reality -- that the breakup of the country will be costly, with long-term negative economic consequences. **Purdy Crawford** discusses the need to remove interprovincial barriers to trade and strengthen the economic union. **Alfred Powis** suggests that a rebalancing of federal and provincial powers, as well as reform of certain federal institutions, are necessary to achieve a durable constitutional settlement. **Claude Castonguay** establishes a link between Canada's position in a rapidly changing global economy and the need to strengthen the Canadian economic union. **Bertin Nadeau** insists on the need for Canadians to be aware of the economic challenges before us.

Jack Masterman believes that business leaders will have to invest in, and satisfy, five basic employee needs to be competitive in the 1990s. **Cedric Ritchie** identifies three important building blocks to take advantage of growth opportunities in Asia and Latin America. **Frederick Telmer** concludes that, ultimately, governments are going to have to undertake the same restructuring, downsizing, and rationalization that manufacturing enterprises have undergone. **Thomas d'Aquino** comments on the linkages between the pursuit of more open trade, a cleaner environment, and enhanced competitiveness.



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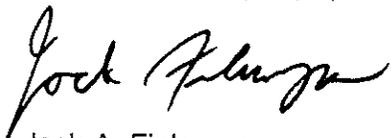
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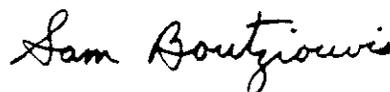
Cette édition de **Perspectives nationales et mondiales : les chefs d'entreprises du Canada s'expriment** traite de plusieurs sujets qui intéressent les dirigeants des secteurs public et privé au Canada.

Plusieurs des membres du Conseil canadien des chefs d'entreprises, de même qu'une récente déclaration du Conseil, abordent la question de l'avenir constitutionnel du Canada. Les éléments essentiels à un accord politique sont présentés dans une déclaration du Conseil du 22 janvier 1992. **Allan Taylor** Implore tous les Canadiens à se rendre à l'évidence : le démembrement du pays sera coûteux et aura des conséquences économiques négatives à long terme. **Purdy Crawford** explique la nécessité de démanteler les barrières interprovinciales au commerce et de renforcer l'union économique. **Alfred Powls** suggère qu'une redistribution des compétences fédérales et provinciales ainsi qu'une réforme de certaines Institutions fédérales permettront de résoudre de manière durable les problèmes constitutionnels du Canada. **Claude Castonguay** établit un lien entre la position du Canada dans une économie mondiale en rapide évolution et la nécessité de renforcer l'union économique canadienne. **Bertin Nadeau** insiste sur l'importance de faire prendre conscience aux Canadiens des défis économiques qui nous confrontent.

Selon **Jack Masterman**, les chefs d'entreprises devront satisfaire cinq besoins essentiels de leurs salariés pour être compétitifs dans les années 1990. **Claude Taylor** explique les raisons pour lesquelles les cadres du secteur privé devront améliorer leurs capacités de dirigeants d'entreprise. **Cedric Ritchie** identifie trois moyens importants de tirer profit des opportunités économiques en Asie et en Amérique latine. **Frederic Telmer** considère que les gouvernements, tout comme les entreprises du secteur manufacturier, devront procéder à des restructurations, à des compressions ainsi qu'à une rationalisation de leurs activités. **Thomas d'Aquino** commente les rapports entre la libéralisation du commerce, la promotion d'un environnement plus propre et l'amélioration de la compétitivité.



Jock A. Finlayson
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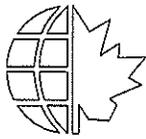
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Février 1992



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***A STATEMENT BY MEMBERS OF THE BCNI
... the challenge before us***

(News Conference, Toronto, January 22, 1992)

We recognize that in their present form, the [federal government's constitutional] proposals will not win universal agreement. Changes will be suggested and clarifications will be needed. The goal must be to have a final set of proposals that reflects the broadest possible consensus among Canadians -- a constitution, in other words, that encompasses our values and our will to live together....

We are convinced that the essentials for a major political accommodation are now before the Canadian people, and that there is no reason for further delay in moving towards a resolution. The essentials, in our view, are the following.

1. A reinforcement of Canadian values and characteristics, primarily through the means of a "Canada clause" in the Constitution.
2. A recognition of Quebec as a distinct society within the Canadian Charter of Rights and Freedoms.
3. A recognition of the right to self-government of aboriginal peoples in Canada, subject to the Canadian Charter of Rights and Freedoms.
4. The reconstitution of the Senate of Canada into an elected body with enhanced representation from parts of Canada, other than Ontario or Quebec, and in particular from the West.
5. A more effective federal system with an appropriate balance of power and influence between the central government and the governments of the provinces, with the overall objective of establishing more efficient and accountable government for Canadians.



6. A strengthened economic union in Canada with the constitutionally guaranteed freedom of the flow of labour, capital, goods and services, and appropriate mechanisms for vastly improved inter-governmental co-operation and macroeconomic management.

While, in our view, convincing action on each of these fronts will be necessary to break the current constitutional deadlock, we should not

expect the unreasonable nor the impossible.

Progress in reaching a political accommodation should not be stymied by an all or nothing approach. This is the recipe for crisis and a reflection of a failure of trust and statesmanship. We urge all Canadians to work towards a solution in the confidence that every step forward will make us a better country and a stronger people.

ALLAN R. TAYLOR

... if this Canada is not worth saving, what country is?

(An Address to the 123rd Annual Meeting of Shareholders
January 23, 1992, Montreal, Quebec)

Many Canadians still do not understand that national unity and economic prosperity are cut from the same cloth. Some do not want to hear about the cost of disunity. Some are deterred from discussing it because of the risk of being labelled "fear mongers". Discussing the costs of disunity with care is not fear mongering; it

is facing reality. This, above all, is what Canadians must do now -- face reality.

Marches of folly are made possible by the existence of dangerous delusions. It is the delusion that a national break-up would involve only minimal costs that risks sending Canada down



this road of irreversible folly.... That separation would be relatively easy and without cost is not just dangerous delusion; it is a real world impossibility.

It is my estimation that the costs of break-up would be huge and long-term, and paid by everyone in Canada -- here in Quebec, and in every other province and territory. No-one would escape lightly; no-one would fare well....

It requires no constitutional expertise to see that many assumptions in this debate are simplistic nonsense.

They assume, for example, the continuation of a common currency, a common market, a common international trade policy, and a stabilizing fiscal structure. This is not a credible scenario even in an environment of harmony and selflessness.

They suppose that all decisions would be made purely on rational economic grounds. Even if that were possible, the costs would be enormous. But history warns us that emotion would not be kept out of the picture.

We are told that, once the process of destroying Canada was over, the two smaller, much less viable new countries could easily renegotiate the very economic structures that assured prosperity in the first place.

This, of course, would be done quickly and generously; or so some would tell us. Persuading the United States and others to fall meekly in line with these needs would be easy -- or so we are asked to believe. They say it would be easy to replace or renegotiate the automotive agreement, the U.S.-Canada Free Trade Agreement, the proposed North American free trade agreement, the defence production-sharing agreement, and the St. Lawrence Seaway treaty, plus participation in the NORAD and NATO agreements and in the GATT. Nothing to it!

Let us realize that this comforting view is not just simplistic nonsense, but nonsense of a kind that destroys nations. It is not original but is very much worth repeating: If we ignore history's lessons, we repeat its mistakes. History tells us that the breakup



of a country is costly, painful and long-term; it leaves very deep economic scars.

losing -- peace, stability and prosperity.

In a dismal parade of folly, the people have lost -- or are still

PURDY CRAWFORD
... on taking things for granted

(An Address to The Rotary Club of Guelph,
January 24, 1992, Guelph, Ontario)

The Fathers of Confederation included a "common market" clause in the British North America Act, which provides for the free movement of goods in all provinces. We need to include people, services and capital on that list, and we need to get rid of the interprovincial trade barriers which hamper the supposed free movement of goods within Canada.

There are still too many barriers to interprovincial trade in Canada, both in terms of government procurement, primarily at the provincial level, and in the private sector, stifling interprovincial commerce.

A stronger economic union and more efficient government will present opportunities to all Canadian businesses and indeed some foreign businesses. The challenge for us all is to capitalize on those opportunities. To do so will take entrepreneurship, courage, and a great deal of hard work, but it can be done....

So, in my view, the current "crisis" is in fact an opportunity for changing Canada for the better, for building a better functioning and more competitive nation.

In this regard, the federal proposals for a true common



market, a stronger economic union and a more functional federation are a welcome development. I also welcome the fact that the package is open to improvements....

Canada is one of the world's success stories precisely

because, in the past, its people have shown imagination in dealing with issues. We need to draw on that imagination now, and in the years ahead, to meet our constitutional and competitive challenges.

ALFRED POWIS

... on passing Canada to our children intact

(Taken from Noranda's Bimonthly Newsmagazine: Panorama,
December, 1991.)

Canada faces a number of pressing national problems, but none is more serious than the constitutional debate that threatens to tear the country apart. The failure of the Meech Lake Accord was a national tragedy. We now face the prospect, at best, of a revision of our constitutional structure that goes far beyond Meech Lake, and, at worst, a breakup of the country....

The rest of Canada must understand that Quebec is serious about wanting real

change, but the sense of grievance and alienation is not confined to Quebec. The present federal structure is under attack in virtually all regions of the country. The current division and sharing of powers is a source of federal-provincial conflict and of costly and divisive competition and duplication. While past efforts to deal with this have been unsuccessful, the need for constructive action is now urgent.

Our only chance is a rebalancing of federal and provincial powers, involving a shifting of



responsibilities between various levels of government. Coupled with reform of certain federal institutions, such a rebalanced federalism could satisfy the legitimate aspirations not only of Quebec but also of other regions of the country. Moreover, it could work a great deal better than the system we now have.

If we fail to achieve this, all Canadians will be losers. Few of us claim to be constitutional experts, but we all need to throw off our attitudes of inevitability and indifference about the outcome. In spite of our problems, Canada is a fine and good country, and we owe it to our children to pass it on to them intact.

CLAUDE CASTONGUAY
... sur l'union économique

(Allocution à la Conférence sur le Renouveau du Canada,
le 31 janvier 1992, Montréal, Québec)

La présente récession, malgré son ampleur et sa durée, ne doit pas nous faire perdre de vue ce que nous avons accompli ensemble dans le passé. Le Canada continue de bénéficier d'un des plus hauts standards de vie au monde. Selon l'OCDE, nous nous situons aux tous premiers rangs des pays en termes de conditions de vie. Au cours de la dernière décennie, nous avons connu une croissance particulièrement

vigoureuse. C'est d'ailleurs cette vigueur de notre économie qui nous a permis de développer des législations et programmes sociaux auxquels les Canadiens sont fortement attachés et qui nous distinguent avantageusement de nos voisins du sud.

Chacune des étapes de notre histoire a comporté des opportunités et des défis et chacune a exigé de nouvelles



politiques et stratégies. Depuis la fin de la deuxième guerre mondiale, nous avons bénéficié largement de l'exploitation de nos immenses richesses naturelles. Mais cette époque est clairement révolue et nous sommes maintenant engagés de façon irrémédiable dans un monde qui présente de grandes opportunités, bien sûr, mais qui par contre est plus exigeant que jamais. Grâce au progrès technologique et à l'élimination des frontières et des distances, de plus en plus de pays s'engagent dans la voie du développement économique accéléré et de la concurrence avec l'extérieur. Les pays industrialisés s'intègrent dans des blocs économiques de plus en plus puissants. Il est maintenant évident que dans un tel contexte nos politiques et nos avantages du passé ne suffisent plus. Le défi auquel nous devons dorénavant faire face est celui de l'innovation, de la productivité et de la concurrence.

Nous devons reconnaître que l'économie canadienne, dans son état actuel, n'est pas en mesure de faire face au nouvel environnement concurrentiel.

Nous avons une dette publique qui continue de croître à une allure inquiétante, un fardeau fiscal trop lourd, un marché intérieur fragmenté et nous perdons graduellement du terrain au plan de la compétitivité.

Au cours des dernières années, nous avons vu plus d'un pays s'effondrer de façon spectaculaire. Aucun de ces pays ne trouvait son existence dans le consentement et la volonté populaire. Par contre, nous avons vu les pays à caractère démocratique se rapprocher les uns des autres et former des alliances ou unions économiques pour mieux répondre au défi de la concurrence.

L'objectif des propositions devant nous est de créer au Canada une telle union économique, une union forte, dynamique et capable de répondre aux défis de l'heure. Nous avons là une occasion sans précédent au moment où la structure de notre économie est en pleine transformation. C'est dans cette perspective que nous devons aborder les propositions devant nous sur l'union économique.



BERTIN F. NADEAU
... sur le renouvellement du Canada

(Témoignage au Comité mixte spécial du Sénat et de la Chambre des communes sur le renouvellement du Canada, au nom du Conseil canadien des chefs d'entreprises, le 6 février 1992, Ottawa, Ontario)

Il faut situer le débat sur l'union économique dans un contexte global. Notre pays est un grand pays qui a connu beaucoup de succès, notre population est enviée par beaucoup de personnes dans le monde, mais nous sommes, à l'heure actuelle, dans une phase extrêmement critique de notre histoire. Et nous croyons que nous faisons face à une probabilité assez forte de nous appauvrir assez rapidement dans les décennies à venir.

Le Canada est en crise. Notre formule traditionnelle d'assurer notre prospérité ne fonctionne plus. Nous avons l'habitude de vendre nos ressources naturelles, de les exporter et d'avoir notre production industrielle pour un pays dont le marché était protégé. Ceci ne fonctionne plus. Nous sommes maintenant en concurrence au niveau mondial.

Par conséquent, les Canadiens se doivent de devenir plus compétitifs. Nous devons concurrencer les Américains, les Japonais, les Européens, les Asiatiques. Dans ce contexte que faut-il faire?

Selon nous, la principale chose à faire pour devenir plus compétitifs consiste peut-être à responsabiliser davantage les Canadiens. Nous vivons dans un très grand pays où les conditions économiques varient énormément d'une province à l'autre, d'une région à une autre. Ce qu'il faut faire pour être compétitifs dans les Maritimes n'est pas la même chose que ce qu'il faut faire dans l'ouest du pays, ou au Québec, ou même en Ontario. Les problèmes varient beaucoup d'où ce besoin de décentralisation. Et on l'entend de partout; ce n'est pas seulement le Québec qui



veut obtenir plus de pouvoirs pour essayer de développer son économie, de devenir concurrentiel; ce sont aussi les gens de l'Ouest, les gens de l'Ontario.

Pour nous, ce mouvement vers la décentralisation de façon à permettre à chaque région d'être compétitive sur le plan international est une chose saine. Cela lance aussi un message aux Canadiens, à savoir que c'est à eux de trouver les réponses et que le «papa gouvernement» ne peut plus s'occuper de leur prospérité à l'avenir.

La deuxième chose à faire, c'est investir beaucoup dans notre économie, ce qui implique que le coût du capital devient extrêmement important pour notre compétitivité. Notre secteur public consomme beaucoup trop de ressources depuis un certain temps. Et la dette publique que vous avons créée fait en sorte que nos taux d'intérêt sont encore beaucoup trop élevés par rapport à notre inflation.

Par ailleurs, il faut aussi centraliser certaines choses, car plus on décentralise dans certains domaines, plus il faut centraliser dans d'autres domaines qui sont communs, tels que la politique monétaire et les politiques budgétaires; d'où le besoin de prévoir des mécanismes d'harmonisation.

C'est un peu comme dans une famille de dix enfants qui ont un compte de chèques commun. Si personne ne se parle, cela va fonctionner tant qu'il y a de l'argent à la banque ou que l'on a une marge de crédit. Le jour où l'on en a plus, les problèmes commencent.

C'est un peu la situation au Canada. Il faut commencer à harmoniser davantage nos politiques budgétaires, d'autant plus que d'autre part, il faut peut-être décentraliser la responsabilité du développement économique, et cela jusqu'à un certain point du moins.



JACK V. MASTERMAN

... on the need to re-focus on our employees and agents

(An Address to the Canadian Life and Health Insurance Association
Human Resource Sector Meeting, January 22, 1992, Toronto, Ontario)

It goes without saying that providing training to help employees succeed in their current positions is an imperative. It is equally important that we invest in the kind of training that will meet their future needs. This might be training in a new technology or personal development that will allow them to move into other areas of the organization.

A second basic need for employees goes beyond the knowledge required just to do the job. It is essential that we give our staff a clear understanding of the desired end results for their work units -- why each unit exists, who it serves, and the needs of its customers....

This brings me to my third employee need -- the employee stimulus to improve the process.

I believe most employees honestly desire to do the best job they can; they want to take pride in what they have accomplished and pride in the organization they work for. That is human nature! Basically what they look for is a clear understanding of the desired end-result and the latitude to innovate and find the best way of getting there....

The fourth employee need relates to rewards, recognition and feedback. Obviously, providing salaries and benefits which are competitive and reflect individual contributions is an important element of the rewards system. But people look for more than that. To address the broader need, we recently introduced a results sharing plan. This will allow employees to share in the overall success achieved by the company....



The fifth need of an employee is the feeling he or she is being treated fairly and is reasonably secure within the company. The current economic climate has created unprecedented uncertainty -- especially with respect to employment. As companies attempt to cut costs through downsizing and plant closures, many workers have become very apprehensive about their futures. Urged on by management to streamline operations and to increase

efficiency, many employees have developed the very real fear of working themselves out of jobs....

The highly competitive environment that we all face requires us to make extraordinary demands of ourselves and our employees. Our challenge is to ensure that employees and agents do not just survive but thrive in the work place. It is a big investment, but the returns exceed the input.

CEDRIC E. RITCHIE

... on new growth opportunities

(An Address to the 160th Annual Meeting of Shareholders
of the Bank of Nova Scotia, January 21, 1992, Halifax, Nova Scotia)

My message today is that there are vast new growth opportunities opening up in the developing regions of Asia and Latin America which we simply cannot afford to overlook. This is why Canadian exporters should be on the plane for places like Santiago, Jakarta, Sao Paulo and Shanghai -- not just for Cleveland, New York and

Los Angeles. But, obviously, more needs to be done....

1. Role of Banks: First, there is an important support role for Canadian banks. But I would emphasize that we have learned the tough lessons of the debt crisis. We have learned that it is certainly not



our role as commercial bankers to finance the balance of payments of developing countries, as we ended up doing in the past. I believe we do have an emerging role as investment bankers, advising on the financial structure of deals and participating in the placement of the resulting debt and equity securities. And our continuing role as commercial bankers includes creative project finance provided it is well-supported by equity or by industrial country guarantees....

2. Supportive Government Policy: The second building block is to secure the full support of our government in a focused drive to maximize Canada's commercial opportunities in Asia and particularly in Latin America. Let me give three illustrations of what is required.

First, our programs of export credit support and of market development should be beefed up. The importance of competitive export insurance

packages cannot be overstated....

A second example -- we should be doing everything we can to encourage students from developing countries to take their university education [in Canada]....

One final example -- although it has been unfashionable to say so, I think Canada should be placing considerably greater emphasis on coordinating our foreign aid program with our export objectives. There are more than enough opportunities to combine much needed development assistance with activities that also lead to new jobs here at home.

3. Organizing to Compete: The third key building block is to organize ourselves much more effectively to compete. Developing countries are today full of sophisticated customers, make no mistake. So we often have to form joint ventures with foreign counterparts in a target market.



...[W]e have to cooperate by pooling our strengths in some selected areas if we are to make our weight felt in the new markets of Asia and Latin America. This suggests to me that our success in global markets will require a strong home base to develop firms with real export potential and a readiness to compete as "Canada Inc." when we go abroad. I realize that it has been unfashionable -- at least

in Canadian business circles outside Quebec -- to even suggest a focused and coordinated approach to export markets. But I am becoming more and more convinced that only by pooling our strengths can we hope to secure the opportunities I have outlined -- opportunities that will ensure that our best and brightest can find challenge and reward by remaining based right here in Canada.

FREDERICK H. TELMER
... on doing business in Ontario

(An Address to The Canadian Institute of Mining and Metallurgy, January 9, 1992, Burlington, Ontario)

One of the most frustrating aspects of operating in the current economic environment is the realization that, whatever measures we may take to enhance our competitiveness can often be checkmated -- inadvertently or otherwise -- by the actions of government. Much of the current public policy activity

is taking place at the provincial level. Here in Ontario, we have been inundated with a whole raft of new policy initiatives that are causing major concern within the business community.

It is difficult for businessmen to criticize policy initiatives emanating from a social



democratic government that has never before held office without being accused of a Pavlovian overreaction based upon ideological prejudice. That is certainly not my intention this evening.

Every political party comes to power with its own agenda. If that party wins a majority of the seats in the parliament or legislature, then it obviously has the mandate to implement that agenda. Considered in isolation, some of the policy initiatives being proposed by the provincial government may well have a certain merit and appeal.

If we accept, however, that it is the health, strength and vitality of the economy that makes these and other legislative initiatives possible and affordable, then the latter cannot be viewed in isolation. They must be considered and evaluated in terms of their impact on what is without question a sick and fragile provincial economy -- in other words, whether or not they may be preventing that economy from achieving the competitiveness and wealth-creating capacity that

is being demanded of it in the first place.

Nowhere is this more relevant than in the area of taxation. All levels of government seem to look upon business institutions, such as steelmakers, as cash cows to be milked regularly by way of a multiplicity of capital and payroll taxes and other input levies. I would suggest that we are now at the stage where governments can no longer levy additional taxes with impunity any more than business can raise prices with impunity.

It is clear, therefore, that governments are going to have to undertake the same restructuring, downsizing and getting the most out of existing resources that manufacturing institutions have had to do.

I can assure you that I do not make this observation from any lofty pedestal of dispassion and indifference.

I make it as the Chairman of a company that has been there, that is currently there, and that will be there for the foreseeable future.



THOMAS P. d'AQUINO
... on trade and the environment

(An Address to a conference sponsored by
the National Round Table on the Environment and the Economy,
November 4, 1991, Toronto, Ontario)

Some see more open trade as an anathema to environmental protection, worrying that competitive pressures will force states to opt for the lowest common denominator of environmental standards, and that developing countries will pursue unsustainable use of resources in a bid to earn more foreign exchange. Ultimately, however, trade and resource-sensitive competitiveness must be the means to further responsible growth in both developed and developing countries. This will provide the economic resources to move to higher environmental standards, to enforcement of those standards, and to more sustainable forms of development.

Clearly, this will also necessitate sound public policies to ensure that more open trade, a cleaner environment and enhanced

competitiveness are the means to achieve this objective. We briefly describe some of the more important public policies in this respect.

1. Development of Environmental Standards: The goal should be environmental standards which are scientifically sound, with appropriate allowances for a precautionary approach where full knowledge of all risks is not yet possible. There is also a need to design performance-based environmental standards, encouraging innovation by industry and allowing flexibility of response, rather than prescribing particular process requirements.
2. Market Instruments: Greater use of market instruments is needed to motivate both



producers and consumers to change their behaviour and to ensure we pursue environmental objectives in an efficient and effective manner.

One of the most needed steps is the reform of current government interventions in the market that inhibit progress towards sustainable development....

3. Furthering Trade Liberalization: If trade is to be a motor of economic growth and social progress for the less developed regions of the world, further liberalization of trade policy is necessary....
4. Environment and the GATT: GATT's purpose should remain one of promoting more liberalized trade. GATT cannot become an agreement to protect the environment. Rather, the objective should be to minimize the interference with trade caused by regulations developed for other purposes....
5. International Agreements: For global environmental issues, the preferred approach is

multilateral negotiation towards international conventions that provide a global framework for the development of national standards....

6. Harmonization of Environmental Standards: Complete harmonization of environmental standards is probably not possible and may not be necessary, since not all countries have the same environmental problems. Efforts at harmonization of standards should concentrate on global issues....
7. Technology Transfer and Financial Aid: Both government and industry have an obligation to assist developing countries to develop the technologies, products, and markets that will lead to more sustainable forms of development. This will take a commitment to foster technology co-operation such that the relationship is beneficial to both parties.