NATIONAL AND GLOBAL PERSPECTIVES
NATIONALES ET MONDIALES

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

BUSINESS COUNCIL ON NATIONAL ISSUES · CONSEIL CANADIEN DES CHEFS D'ENTREPRISES

FOREWARD

I am pleased to introduce **National and Global Perspectives: Canadian Business Leaders Speak.** This publication is a periodical compendium of excerpts from speeches recently given by the chief executives of Business Council member companies and it is assembled and edited by Business Council staff member Jock A. Finlayson, Vice President of Policy and Research.

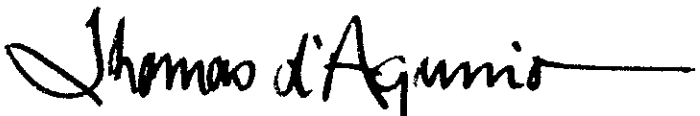
In putting together this publication, we have taken very seriously the "Global Perspectives" component of our title. Free trade, the continuing globalization of markets, the Europe 1992 initiative, the GATT Uruguay Round of multilateral trade negotiations, the momentous events unfolding in Eastern Europe -- these are just some of the important changes underway in the international environment facing Canadian business. All promise to have a major influence on Canada's leading corporations in the years ahead, and all are attracting the interest and attention of Canada's business leaders.

Five of the contributors to this inaugural issue of **National and Global Perspectives** address some of today's compelling international issues. **Charles Hantho** talks about the ingredients necessary for Canada to meet the challenge of international competitiveness. **Thomas Di Giacomo** surveys the emerging global business environment and emphasizes the urgent need for Canada to abandon traditional parochial attitudes. **Michael Cornelissen** discusses what it takes to compete in the fast-changing European Community marketplace. **Matthew Barrett** warns of the dangers of trading blocs. And **David Race** identifies key challenges for defence industries posed by the trend toward reduced defence spending and the increasingly fuzzy line between civilian and military technology.

A number of members are concerned with current Canadian economic policy issues. **Kenneth Harrigan** examines the reasons why the Goods and Services Tax represents a big improvement over the existing federal sales tax. **John Fraser** offers some frank comments on Canada's growing deficit/debt problem, and identifies a number of tough measures required to get the problem under control. **Donald Fullerton** rebuts the arguments of those who believe the deficit can be solved by levying more taxes on upper income Canadians and businesses.

Economics is not, of course, the only subject on Canada's national agenda, and it has never been the sole preoccupation of the Business Council. **Edward Newall** addresses the vital issue of the environment and suggests what business needs to do to exercise responsible leadership in this field. **Thomas d'Aquino** identifies the challenges that must be met if progress is to be achieved on the environmental front. **Claude Castonguay** reminds us why the now-contentious Meech Lake Accord was originally agreed to in 1987, and why it should be ratified now.

Lastly, **Brian McGourty** discusses key tasks facing managers who want to ensure that their enterprises are at the forefront of technological innovation, while **David Morton** urges that the Canadian private sector do more to make Canadian industry technologically first class.



Thomas P. d'Aquino
President and Chief Executive Officer
April 11, 1990

LIST OF MEMBERS QUOTED

"NATIONAL AND GLOBAL PERSPECTIVES: CANADIAN BUSINESS LEADERS SPEAK"

BRIAN M. McGOURTY . . . on what it takes to be competitive

(Address to the Second International Conference on Engineering Management, Toronto, September 11, 1989)

This is a time of great urgency with respect to Canada's competitiveness and continued profitable growth. To succeed, industry management must be certain of achieving five key corporate goals:

(1) Be the leader in customer responsiveness.

(2) Grow faster than the markets you serve.

(3) Be the industry leader in your core business.

(4) Achieve your financial goals.

(5) Create innovative partnerships for the future.

There are two types of outdated strategies that frustrate the progress of some industrial sectors. One, is a blind confidence in continuing to mass produce the standard goods you have always made; the other is having a very myopic assessment of your economic and technological needs to be competitive.

Too many businesses fail to recognize the importance of innovation as it affects what you manufacture and how you manufacture it. We appear, on many occasions, not to have fully grasped the speed, magnitude and significance of the product and technological innovation that has been going on abroad and threatens our traditional markets.

Consistent with this failing is not to consider people as an essential part of the competitive equation; that is, they should be part of the corporate strategy. People have, instead, been an expendable commodity. Today we are paying the price.

Our short-sightedness is reflected most severely in what has happened in the educational system. Large numbers of young people are passing through primary and secondary school that are non-competitive with those in other countries. Their usefulness to industry is seriously flawed and, in turn, is becoming a threat to the ability of our universities to maintain their generally high standards.

It has not sunk in that the nature of "work" is well along the way to being almost totally transformed by technology and unprecedented change in the structure and operation of business. Virtually all businesses -- other than those of a purely local nature -- will inevitably require ongoing restructuring to fit -- as appropriate to their interests -- into the rapidly maturing global framework of business economics.

If people are our most important resource -- and I hope there is no

disagreement with that -- we have problems in Canada. At a time when we have more people at work than ever before, we experience shortages of skilled labour. The drop-out rate in our schools is the highest in the industrial world, and among those who graduate, business finds their technical training inadequate.

The health of our educational system and its ability to develop and encourage not only competence but innovation must become a priority of Government and business in the same way we have, somewhat belatedly, made the environment a priority issue.

The deficiencies in our educational system may not be as destructive to the world's ability to survive as a habitable place, but most certainly if we do not soon take serious initiatives to correct our educational problems, we will experience progressive deterioration in our standard of living.

As we have begun to realize with the environment, we desperately need a radical change in attitude to education. The pervasive attitude, certainly since the beginning of the 1980s, has been to view education as a reluctant cost, not as an investment in this country's human capital; which has been described as "the intellect, imagination, knowledge, skill, industry, enthusiasm and enterprise" essential to individual achievement and to survival as a dynamic nation.

We have only to look beyond our shores to see how countries with few of our natural resources have succeeded in converting human capital into financial capital. They have shown how education, discipline and dedication to objectives can "liberate both individuals and a nation from its past". Korea and Japan, where I visited recently, speak loudly to this point.

While there is growing awareness in Canada of the weaknesses that have tended to entrench themselves in our education system, there is not enough evidence of innovative thinking and action to correct our mistakes.

J. EDWARD NEWALL . . . on business's environmental challenge

(Address to the MBA Speaker Series, Queen's University, January 9, 1990)

People in industry must be completely committed to protecting the environment, because we have so much at stake. Most of us in industry believe that our technical capabilities are crucial to improving Canada's environment and to reversing environmental damage. And because we have the capacity, we

also have the responsibility to do these things.

Yet for business, environmental issues involve more than good corporate citizenship or contributing to society's welfare, important as these objectives are. What is at stake here is the survival of our enterprises.

If our manufacturing plants are to continue operating and growing, we must respond to public concerns over our impact on the environment. Companies that fail to do this are ultimately going to be forced to shut down. The issue is whether our firms will continue to serve the growing needs of society and whether our jobs will continue to exist. Yet business faces an uphill struggle for public credibility. A recent national survey . . . showed that 42 per cent of Canadians distrust industry in general for its environmental record, and 45 per cent rate the chemical industry's environmental performance as poor.

Many companies deserve a much higher rating. Global Du Pont was awarded the gold medal for international corporate environmental achievement by the United Nations World Environmental Centre in 1987. The award jury observed that "Du Pont's outstanding environmental leadership and achievements stand as a model to be emulated by industry throughout the world to help preserve and protect the common abode of mankind". Our reputation with the public is best in communities where we operate, like Kingston and Maitland, because the more people know about us, the more they trust us.

But we share the broad credibility problem of business and industry. The only solution is a sustained, long-term effort by industry to achieve excellent environmental results year after year. We need action, not only words.

JOHN F. FRASER . . . on the deficit and national debt

(Address to the Conference Board of Canada's Business Outlook Conference, Toronto, October 19, 1989)

No one but the most case hardened among us objects to the occasional budget deficit in difficult economic times. But over the past 20 years or so, we have indiscriminately borrowed in record amounts, in both good times and bad. . . .

In a world of commerce which grows more competitive and respects fewer boundaries each day, our ratio of debt to gross domestic product is among the highest in the industrialized world. In 1974-75, it was just over 16%, and today it stands at a staggering

54.5%, having risen 10% in the past four years alone. And these have been very good economic times. In fact, Canada has had the fastest average economic growth of the G7 countries during the 1983-88 period. It simply boggles the mind to think what could happen when times get worse. And, I hasten to add, times are getting worse, thanks in no small measure to the influence of our massive deficit. . . .

Without question, the deficit and the national debt are too large, and we're already being hit with stiff. . . tax (increases). That only leaves us one alternative: we simply must cut back on government expenditures. That's the answer to our future fiscal stability, in my opinion the only answer.

The question is where to start. Unfortunately, where we can't start -- at least for the short term -- is on the over $30 billion of annual interest on the public debt. For the time being, we're also stuck with statutory programs which add up to more than $50 billion annually.

But we can expand our efforts to (cut) non-statutory expenditures such as economic development and official development assistance, while we expand our privatization program, of which I am strongly supportive.

But we don't need to stop there. Industrial subsidies and grants, for example, are ripe for review. And on this point I have strong views. All subsidies and grants to business should be phased out -- I mean all of them -- no exceptions. As long as they are available, we have to try and take advantage of them. If we don't, our competitors do, and our shareholders are penalized.

So the only answer is to cancel all of them. Then we can turn our full attention to reducing our costs, increasing productivity and strengthening our marketing skills to improve our worldwide competitive position, rather than spending our time grovelling in front of some cabinet minister for a handout.

THOMAS A. DI GIACOMO . . . on Canada's response to global change

(Remarks to the Annual General Meeting of the Manufacturers Life Insurance Company, Toronto, March 8, 1990)

Let me ask once again: What does it take to prosper in the decade ahead?

It takes international experience and a global outlook. . . .

Global reach, such as ours, is indispensable to business in the 1990s. Look what has happened in the world, just in the last few months. Incredible change: Europe stands on the brink of a brand new trading community; the iron curtain has been swept aside. Things that were not even contemplated a year ago are now assumed. The notion of a united Germany has moved from irrelevance to improbability to possibility ever so quickly.

Everywhere, countries are reaching out to each other. Trade barriers are falling. And cooperative trade agreements, such as the one Canada put in place with the United States, are becoming the norm.

As one who runs an international business, I am delighted with such developments. This company knows all too well the benefits of international trade and cooperation.

But as one who runs a business headquartered here in Canada, I am most distressed by the parochial thinking we find in this country. I am baffled by the excessive bureaucracy. And I am disturbed by the lack of free trade right within our own country.

In Canada, I see actions that are diametrically opposed to global trends. As everyone else seems to be getting together, we seem to be moving apart. Instead of emphasizing the things we have in common as a nation, we are consumed by the differences -- our different cultures, our different governments, our different regulations. How can we possibly compete in the global economy if we can't take care of things at home? How can we possibly expect to take advantage of falling trade barriers abroad, when we bump up against trade barriers right here in Canada?

L'unité des gens de ce pays est primordiale. Nous devons donc faire abstraction des frontières provinciales et nous tourner vers la scène internationale, forts du potentiel énorme que possède notre pays dans le monde actuel.

Interprovincial trade barriers affect everything from beer and wine, to meat inspection and livestock transport; from telephone equipment to government procurement to licensing requirements.

Industrial and agricultural subsidies, while serving to increase economic activity within a particular region, actually represent barriers to trade between provinces and result in costs not only to taxpayers and consumers, but to the economy as a whole. They distort competitiveness and can result in less efficient operations.

While in theory many of these programs have commendable objectives, we must ask ourselves the question: Can Canada . . . in this age of global trade liberalization afford such interprovincial trade barriers? I say we cannot. We cannot afford

the hobbles and costs of 10 security commissions, 12 loan and trust regulators, 9 research councils, 10 different procurement policies, 10 different private pension regulators, and more.

MICHAEL A. CORNELISSEN . . . on operating in the European Community

(Address to the Trust Companies Association, Ottawa, May 3, 1989)

The lessons we have learned translate into some basic principles for any company planning to enter the European Community. In summary they are: recognize cultural differences and learn how to manage with them. Don't try to impose too much of head office on local enterprises but, impose your own business values and principles. A European with North American training may be needed to run the operation. Think Europe, act local. There are more opportunities in the niches than against the big players. That's why the niches must work together. Flexibility is important. Finally, turn your strengths to your advantage. A final principle that I have not yet mentioned is that it pays to be there sooner rather than later. You will be grandfathered and regulated according to EC rules. They propose home country control which means that, no matter where you operate in the Community, you are governed by the regulations in place in the European country where your primary operations are based.

Unless you are prepared to enter a joint venture or strategic alliance, it will be tough to gain a toe-hold in Europe after 1992. Competition will be fierce.

R. DONALD FULLERTON . . . on tax policy

(Address to the Edmonton Chamber of Commerce, May 29, 1989)

Upper-income Canadians and profitable corporations should bear their fair share of the tax burden. But rates of taxation in Canada must take into account domestic and international competitive pressures, not just the political whims of current officeholders.

If tax rates in Canada are set too high, business will take flight to lower-tax environments outside our borders, to the long-term detriment of our economy. Those who clamour for increased taxes on high-income individuals should remember that, while "soaking the

rich" may make an attractive public policy, it flies in the face of economic and business reality.

Cicero once said "There is no fortress so strong that money cannot take it". The truly rich have little to fear from Revenue Canada because, in the final analysis, they can always move their money, and themselves if need be, offshore. Money moves to where it feels more secure: for example, the capital that has fled some of the lesser developed countries in recent years is estimated to be close to their foreign debt to banks.

Nationalistic sentiments alone are not enough to stem the flood. . . .

The Canadian tax collector who knocks too often at the doors of the wealthy may soon find that there is no one home. Although the rich present an easy target for the taxman, they also suffer from one undeniable handicap: there aren't enough of them.

In 1986 in Canada, for example, persons with annual incomes over $250,000 represented only 0.09 (zero point zero nine) per cent of taxpayers and paid only 4.6 per cent of the total federal tax bill. As you can appreciate, even if you doubled their taxes, they would still pay less than 10 per cent of the total federal tax bill, which is hardly going to make a dent in a $30.5 billion deficit.

Let's look at this from the social spending side. Suppose we doubled those taxes on the rich and distributed the new money equally to everyone in Canada who made under $20,000 per year. (I use this figure because the National Council of Welfare says the poverty line for a family of four in a medium-sized city is about $24,000; in reality, of course, many of the people in our example would be single.)

If the taxes on the "rich" in our example were doubled and the difference distributed to the "poor" as we have defined them, then each of the "poor" would get a one-shot payment of about $300 -- merely a monetary ray of light before the darkness of poverty returned once more. . . .

It must be remembered that over 70 per cent of federal income taxes are paid by people making less than $50,000 per year. In today's economy nobody in that income range can be described by even the most ardent social critic as "rich". But that is the group that governments must continue to canvass if they are going to reduce the deficit through increased taxation.

KENNETH W. HARRIGAN . . . on the Goods and Services Tax

(Address to the Waterloo-Wellington Western Business School Club, Kitchener, November 22, 1989)

Taking advantage of free trade should be the first order of business on the national agenda. Another important element of improving Canada's competitiveness, both in U.S. and overseas markets, is to replace the present manufacturers' sales tax with a broadly-based tax on goods and services.

Everyone seems to agree that the existing tax weakens our competitive position because it favours imports over Canadian-made goods and is excessively complex. We're the only industrialized country that continues to rely on a discriminatory tax on manufactured products. But we can't seem to agree on how to replace the revenue generated by this archaic levy.

I know what a businessman does when there's less money coming in. He makes sure there's less going out. Now that may be too radical for Ottawa to consider, so perhaps we could compromise. Let's make a start by reducing public expenditures by an amount equivalent to a one percent tax rate reduction. At the same time, the federal and provincial governments should come together again -- and be locked in a room, if necessary -- until they agree on a single, combined national and provincial sales tax that can be easily understood and collected.

The proposed Goods and Services Tax, I believe, is the correct mechanism to bring some order and logic into what is now a very confusing tax picture. It is little wonder to me that the average Canadian feels like he is being mugged -- several times and by more than one person. . . .

The average taxpayer has to see deficit reduction if he is going to buy the concept. Otherwise, he sees it only as a federal tax grab to increase expenditures. We, as individual taxpayers, will be forced to tighten our belts as a result of the tax -- is it not reasonable to ask Ottawa to tighten their belts as well?. . . .

Some products will cost less as a result of elimination of the manufacturers' sales tax. I don't think the general public is aware of this. Automobiles are a good example of trading off a 13 1/2 percent federal sales tax applied at the wholesale level for . . . the goods and services tax . . . . There could be a savings to consumers of one to two percent or more, depending on the final GST tax level.

Free trade and a more efficient tax system, combined with

responsible spending by all levels of government, can be the cornerstones for a new economic order in Canada.

DAVID MORTON . . . on technology and innovation

(Address to the New England-Canada Business Council, Boston, January 24, 1990)

Another domestic challenge for Canada is to raise the level, first of consciousness, then of activity in the field of technology and innovation. We still have and devote far fewer resources to building our technology base than almost any other competitor country. In the report from the Geneva-based World Economic Forum, assessing individual countries' capacity in science and technology, Canada showed up in only fifteenth place, just ahead of Belgium and behind Australia. If Canada is to lift its manufacturing industry to world-class levels and keep its traditional resource industries cost-competitive, it is through innovation and technological sophistication that it must be done. The federal government has taken valuable steps to heighten awareness and put a new framework in place. But a lot more effort has to come from the private sector, in its own interest, to help make Canada technologically first class.

CHARLES H. HANTHO . . . on Canada's competitive challenge

(Address to the Textile Society of Canada, Quebec Division, Montreal, December 6, 1989)

I would like to talk about four indispensable ingredients that together will enable us to take up the competitive challenge.

First and foremost we must have aggressive business leadership. It must be more imaginative, more innovative and much more internationally-minded than ever before. We require more focused, leaner, faster-moving businesses that know what is going on in their industry around the world.

Surprising as it may seem, international surveys of O.E.C.D. countries reveal, year-after-year, a startling paradox about Canada. Although we rank near the top in our export dependence, we rank near the bottom in the outward

orientation of our business leaders. This is changing -- but not fast enough.

The second ingredient is improved education and training of our human resources, from top to bottom. This is an enormously important subject that I will not be able to cover tonight, but the bottom line is: Canada's education and training systems must be better integrated with national economic goals, producing graduates with skills, ingenuity and drive. These systems must offer retraining and skills upgrading as competitive conditions change. The workforce of the future must have the knowledge and flexibility to adapt to change in products, processes and markets -- key factors in the new global economy.

The third ingredient lies in our ability to acquire, develop and apply up-to-the-minute technology. . . . in our processes . . . .in our products. . . .in our services. That's another subject for a full speech, but let me make the point that Canadian management must get better at innovating with technology, and using technology as a competitive weapon.

The final ingredient is competitive government policies. Government must recognize the crucial importance of the manufacturing sector and set a policy framework that works to encourage the international competitiveness of business, not to put barriers in the way.

MATTHEW W. BARRETT . . . on the dangers of trading blocs

(Address to the Canada-United Kingdom Chamber of Commerce, London, January 31, 1990)

In the last thirty years technology, and particularly the technological complex built around the computer, has made possible global integration and standardization of an undreamed-of scale. It has created corresponding opportunities and problems. . . In a world, then, where technical obstacles to the instantaneous transfer of resources have largely disappeared and regulatory obstacles are falling, what is the best strategy for a bank?

Finding the answer -- the right balance between traditional activity and the virtually unlimited possibilities of the global market -- is not easy. It has been a painful process. For many banks, and other financial institutions, it is a search made more difficult by the second of the two trends, cutting as it does straight across

globalization. I refer to the increasing tendency of the world to divide itself into separate trading blocs with the threat -- too frequently the reality -- of protectionism, retaliation and subsidy wars.

In themselves, these trading blocs are not objectionable. They may in fact be beneficial. Within their perimeters they allow comparative advantage free play. They can even be seen as stepping stones to a truly open world economic order, based on the principles of classical liberal economics.

But the evidence points to the contrary -- a tendency for each bloc to see the others not just as competitors, but as adversaries. This is disquieting to say the least.

One thinks immediately of Japan and its emergence as an economic superpower. On both sides of the Atlantic, adjustment to this powerful new economic force continues.

It is with the same sense of unease that we in North America await 1992 and the new European reality. The Community will form the largest single market in the world. The very prospect of its existence has forced all players in the game to sharpen their preparations and refine their strategies.

There has been much talk of the danger of a "Fortress Europe", protectionist in trade policy and turned in upon itself. But is that a realistic fear?

I find it hard to believe that Europe will withdraw into itself. Western Europe in particular is the heir to five centuries of looking outward. Its economic strength, its worldwide commercial, human and cultural ties, argue against such a withdrawal. Is that wishful thinking on my part? I trust not.

CLAUDE CASTONGUAY . . . on the Meech Lake Accord

(Remarks to the Chamber of Commerce of Greater Montreal, February 20, 1990)

We should remember that when the Meech Lake Accord was concluded, not only was it unanimously deemed a remarkable feat, but it immediately sent a huge wave of hope with regard to the future of the country. Finally we would be able to stop the endless constitutional discussions and give priority to the difficult economic and financial problems facing Canada, and benefit from the opportunities afforded by Free Trade, and the spectacular changes occurring in Europe. This major breakthrough seemed to give way to a period of cooperation between all parts of the country

and the two levels of government. A majority of Quebecers could see in it an honourable and acceptable response to the vote in favour of Canada they expressed in the 1980 referendum. Canadians from the rest of the country could hope for a renewed Quebec participation in the Canadian reality. After so many years of quarrel and acrimony, the time for a new beginning had arrived.

When we consider the conditions expressed in the past by former Quebec Premiers, when we compare the terms of the Accord with the recommendations of major Royal Commissions such as the Laurendeau-Dunton and Pepin-Robarts Commissions, we have to admit that these terms constitute a minimum. They are the result of compromises by both parties. They are the outcome of long negotiations, and not the beginning, as some would lead us to believe.

By completing the unfinished constitution of 1982, the Meech Lake Accord finally gives Quebec a place in Canada. It makes room for Quebec in a country which, we must remember, we discovered and populated everywhere, including Sault Ste-Marie, and which we defended against the American invader. At last the Accord would honour the solemn pledge, given on the eve of the Spring referendum of 1980, of a renewed Canadian federalism.

We believe that the Accord recognizes the obvious: the distinct character of the Quebec society. It marks the end of the quite sterile and humiliating attempts to put Quebec in its place and to make it a province like any other. This is why it quickly became a symbol in Quebec, a sign that we were accepted by the rest of Canada.

The Meech Lake Accord gives no special privilege or treatment to Quebecers. In any case, we are not looking for favours from anyone. In recognizing Quebec's distinct character, the Accord is not creating a province more equal than others; what is distinct is not necessarily unequal. It is wrong to maintain that the Accord decentralizes in favour of the provinces to the point of overly weakening the federal system. On the contrary, for the first time, it gives the federal government the power to spend money in areas under provincial jurisdiction!

People are wrong when they claim, as do some of our fellow citizens, that the purpose of the Meech Lake Accord is to make Quebec a unilingual French province. Fortunately, our Quebec anglophone compatriots themselves disprove such a crude argument which goes against our traditions and the reality of everyday life.

DAVID H. RACE . . . on the future of defence production

(Address to the Centre for Studies in Defence Resources Management, Toronto, January 31, 1990)

The fundamental approach to defence production will . . . change over the next decade. Defence production will become more and more integrated with civil production. This is a logical result of both technology and the general decline in defence spending.

The line between civil and military technology has become so fine as to become invisible. . . . Even those areas which today seem totally specialized, such as the manufacture of shell casings or gun barrels, may be generalized with the development of flexible manufacturing systems. Combine this with the fact of shrinking defence budgets. We will be less able to support a specialized defence industrial base in any country, let alone Canada which hasn't been able to support one for years. Cost effectiveness will demand the integration of defence with commercial manufacturing. The majority of defence producers are also involved in non-military production, and those that aren't would like to be. One key to maintaining a viable defence production capability may lie in the government's ability . . . to persuade commercial manufacturers to develop a military production capability -- admittedly, not an easy task given the government's past record.

Nevertheless, industry needs to be convinced that defence production can be reliable in the long term, so that the civilian industrial base will be there when you need it, whether to seize an opportunity in a joint production or to mobilize existing production capabilities in times of emergency.

In sum, what we must look for are ways in which defence can draw strength from the full fabric of the nation. We must be able to access all of the potential, not simply the resources available within a shrinking defence community.

THOMAS P. d'AQUINO . . . on achieving an environmentally sustainable society

(Address to the Conference of New England Governors and Eastern Canadian Premiers, Burlington, Vermont, March 7, 1990)

Even in light of some constructive activities and other positive signs . . . are we moving far enough or fast enough in achieving

an environmentally sustainable society? I will address this point by describing some of the challenges I see.

The first, and perhaps most important, concerns our values and attitudes and the way we think about our environment. How are we going to convert our approach . . . to a new, environmentally compatible one that will lay the foundation for a long-term balance between environmental and economic interests? How will we promote a much higher level of societal awareness, one that will help us to better understand the implications of environmental degradation for the way in which we go about our lives. . . .?

A second challenge is related to this. The Western world consumes a disproportionate share of the world's resources. It is said that the United States, for example, with 6% of the world's population, uses 30% of these resources. Developed countries are now banning products such as chlorofluorocarbons and adopting new standards for effluents, such as those from vehicle emissions and coal burning. . . .Such measures are costly, of course. Developing countries can be expected to argue that they cannot afford to adopt them. This poses, then, a double dilemma for the industrialized economies. Will our new, cleaner industries be forced to compete against cheaper, "dirty" producers in the Third World? Or, will we find it necessary to transfer large amounts of capital and technology to developing countries to enable and encourage them to keep pace? The answer to this question is self-evident. Without such a transfer, the battle to reverse the advanced state of environmental destruction will be lost and in the long term the penalty will be catastrophic for <u>all</u> of mankind. . . .

My third point also is connected to the first: the preponderance of short-term thinking, especially among governments and some businesses. Given the length of political mandates, it is inevitable that politicians will pass laws that deliver short-term results. However, this can easily lead to reactive, piecemeal solutions, often focusing on symptoms rather than the real problems. . . . How will we promote a longer-term focus so that government and industry can encourage the development of better alternatives . . .? Since business responds much better to market and fiscal carrots than to regulatory sticks, what economic incentive models can be developed to help attain public and private sector environmental objectives. . . ?

My fourth point concerns the need for more cooperation and consultation, especially among those whose relationships historically have been adversarial. Both the Bruntland Commission and the Canadian Council of Resource and Environment Ministers (CCREM) Task Force are testimonies to the ability of groups with widely different views to reach substantive common agreement on important issues. In such cooperation lie the seeds of more creative and thorough solutions to our problems.