

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.

Three of our contributors consider the importance of, and linkage between, a unified country and a strong, vibrant economy. **Raymond Cyr** provides a business person's perspective on the need for a new economic model as well as a new federation for Canada in the 21st century. **Paul Desmarais** stresses that Canadians must continue to work for the necessary changes which will result in a strong, unified country capable of meeting the economic challenges of the future. **Bertin Nadeau** suggests that the Canadian constitutional crisis is not an insurmountable problem -- but an opportunity to benefit from a more flexible, effective political framework.

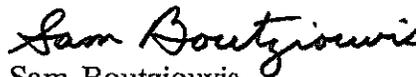
Two contributors turn their attention to the country's sorry fiscal condition. **Thomas d'Aquino** discusses some important implications of Canada's persistent and growing deficit and debt for Canadians. **Allan Taylor** urges the federal government to stay the course on deficit reduction and to hang tough in the fight against inflation, despite pressing economic and constitutional challenges.

Several contributors discuss the competitive realities confronting Canadian business in the 1990s. **Donald Fullerton** explains the need for a national strategy of competitiveness -- including elimination of the debt, maximization of Canadian competitiveness and the achievement of global leadership in industries where we traditionally have been strong. **George Peapples** considers why the 1990s will be the decade in which North American business must leverage its strengths to capitalize on the full potential of the global marketplace. **Charles Hantho** identifies the key challenges for Canadian manufacturers given the recession and today's intensified global, competitive environment. **Jeannine Wood** addresses the economic imperatives facing Canada and stresses the necessity to develop a common market in North America. **Dennis Williams** underlines how effective human resource management, through training and education, can help Canadian businesses improve their productivity and deal with change.

**Adam Zimmerman** offers some insight into the value of, and the environmental imperatives facing, Canada's forest industry. **Purdy Crawford** looks at corporate governance in the 1990s and shareholder demands for improved company performance and higher shareholder values. **Guy Saint-Pierre** argues that knowledge of three or four languages, not just two languages, will be critical to success in tomorrow's global business marketplace.



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March, 1991

## AVANT-PROPOS

Ce numéro de **Perspectives nationales et mondiales: les chefs d'entreprises du Canada s'expriment** examine un large éventail de sujets qui intéressent les preneurs de décisions des gouvernements et du monde des affaires au Canada.

Trois des collaborateurs réfléchissent à l'importance, et au lien qui existe entre l'unité nationale et une économie forte et dynamique. **Raymond Cyr** propose le point de vue d'un chef d'entreprise sur la nécessité d'un nouveau modèle économique ainsi que d'une nouvelle fédération pour le Canada au XXI<sup>e</sup> siècle. **Paul Desmarais** met l'emphase sur le fait que les Canadiens devront continuer à oeuvrer pour des changements nécessaires qui auront comme résultat un pays fort et unifié, capable de relever les défis économiques de l'avenir. **Bertin Nadeau** suggère que la crise constitutionnelle canadienne n'est pas un problème insurmontable -- mais une opportunité de profiter d'un cadre politique plus flexible et efficace.

Deux des collaborateurs portent leur attention à la mauvaise santé fiscale du pays. **Thomas d'Aquino** examine certaines des conséquences importantes pour les Canadiens de la persistance et de la croissance du déficit et de la dette du Canada. **Allan Taylor** encourage fortement le gouvernement à maintenir le cap de la réduction du déficit et de tenir bon dans sa lutte contre l'inflation, en dépit d'importants défis économiques et constitutionnels.

Divers collaborateurs ont traité des réalités de la compétitivité auxquelles font face les entreprises canadiennes dans les années 1990. **Donald Fullerton** explique la nécessité d'une stratégie nationale pour la compétitivité -- qui vise à éliminer la dette, à maximiser la compétitivité canadienne, et à jouer un rôle de leadership au plan mondial dans les industries où, traditionnellement, nous avons occupé une position de force. **Georges Peapples** réfléchit aux raisons pour lesquelles les années 1990 seront la décennie où les entreprises nord-américaines devront s'appuyer sur leurs forces pour tirer parti de toutes les possibilités qu'offrent les marchés mondiaux. **Charles Hantho** identifie les principaux défis auxquels font face les manufacturiers canadiens, étant donné la récession et l'intensification de la compétition au plan mondial. **Jeannine Wood** traite des pressions économiques auxquelles fait face le Canada et souligne la nécessité de développer un marché commun en Amérique du Nord. **Dennis Williams** explique comment une gestion efficace des ressources humaines, par la formation professionnelle et l'éducation, aidera les entreprises canadiennes à améliorer leur productivité et à s'adapter au changement.

**Adam Zimmerman** offre des perspectives sur les impératifs environnementaux auxquels est confronté l'industrie forestière canadienne, et sur la valeur de cette industrie. **Purdy Crawford** examine la gestion de l'entreprise dans les années 1990 et les demandes des actionnaires en faveur d'une meilleure performance de l'entreprise et de l'augmentation de la valeur des actions. **Guy Saint-Pierre** explique que la connaissance de trois ou quatre langues, et pas seulement deux langues, sera une clef du succès dans les marchés mondiaux de demain.



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Mars 1991

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

### J. V. RAYMOND CYR. . . a business person's perspective on Canada

(Address to the Canadian Club of Montreal, Montreal, Quebec, February 11, 1991)

Canada has prospered by avoiding extreme solutions. Since 1867, our national trademark has been to advance through compromise. We're heading now into the new world of the 21st century. Already we see that it will be a rapidly changing, intensely competitive, new environment. Huge new trading blocs are evolving. Long-standing groupings of nations are under severe strain. Changed geopolitical relationships are also in the wind.

Canada cannot afford to march into the 21st century with 19th century equipment. We need to prepare now, so that Canada can be a healthy participant. Politicians may dither, but businessmen are not in doubt. We know the need for a strong economic union across this country. Without that we would become just another small fish in a sea of trading whales.

As we move toward the 21st century, the role of the federal government should be to manage the economy and ensure our fiscal wealth. The federal government should be more concerned about global competitiveness of Canadian industry than about questions such as user fees for health services.

Global competition will be very intense by the beginning of the 21st century. The federal govern-

ment will have to provide leadership in international trade talks. It will have to concentrate on developing Canada's economic policies, and giving Canadian business the tools to survive and prosper against global competitors.

We need to reconfigure outmoded and inefficient systems of delivering services to Canadians -- not for political gain, but to cut financial strain. All Canadians need to join willingly in a searching analysis of our needs, then determine which governmental structure is best suited to the delivery of which of those needs. If we manage our changing economic needs well, we'll be better able to manage our changing political and social needs well.

Laurier said the 20th century would belong to Canada. We have partly failed him, but now we have a chance to redeem ourselves and look forward to the 21st century.

A new vision for a successful Canada in the next century will need to be based on a new economic model for the 21st century -- and a new federation model for the 21st century. Let's start designing them now -- together.

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PAUL DESMARAIS . . . réussir ensemble

(Address to the Montreal Chamber of Commerce, Montreal, Quebec, February 12, 1991)

To meet the challenge of international competition, we must stop pretending that life can go on as it has. We must make some important adjustments in economic policy, and change our attitudes, particularly in terms of the growing cost of social programs.

While together these social programs have been such a special feature of our country, this can only be the case for as long as we can afford them.

We must address this question of public spending if we wish to meet successfully the challenge of economic recovery and growth.

Increasing taxes cannot be the only solution to the problem of government deficits, particularly because international competition requires levels of taxation comparable to the rest of the world.

It is not enough to say, as many do, that we need a dramatic shift in monetary policy with lower rates of interest and exchange, without regard for the impact on the inflation rate. It is also the case that for as long as we have these sizeable deficits, which in part must be financed abroad, we will have to continue to pay higher rates of interest.

The truth is that monetary policy has had to bear the burden of our collective fiscal irresponsibility.

It is, in fact, a reflection of our competitive weakness -- not the cause.

We should take our responsibility and stop transferring the burden of the debt to future generations.

Difficult choices and decisions regarding public spending await us, and we must adjust our attitudes and support those who will have the courage to take the appropriate decisions....

To meet the economic challenge, it is urgent that we successfully resolve the question of whether we stay together as a country. Above all we must determine how we are to proceed to answer this question....

When I travel, and people ask me where I am from, I am proud to reply that I am Canadian. To say this does not prevent my being proud at the same time to be a Montrealer, a Québécois, a Franco-Ontarian and a French-speaking Canadian.

These different loyalties are all part of a unique reality. This reality is based on shared fundamental values.

I have found it most regrettable that friendly countries around the world treat Canada with greater respect and appreciation than we sometimes show ourselves. They are most surprised that we are

unable to find a solution to the Canadian problem given the negative consequences of separation.

This does not mean that changes are not required. Many changes have taken place in our Constitution since 1867, and additional changes will have to continue to be made.

It is clearly essential, however, that our political institutions continue to be founded on the fundamental values which we share in Canada. These values, as history has shown, favour individual, cultural, and economic development...

It is equally important, and even imperative, that we take a thoughtful approach rather than embarking on a precipitous effort to change our institutions. Patience, intellectual rigour, and an historical perspective must be the basis of this effort.

Finally, the changes we want to bring to our political institutions must be based on continuity and a respect for the fundamental values our existing institutions permit us to share.

For my part, I have not received or found any adequate answers... which would bring me to change my deep conviction that Canada must continue to exist.

At this time I would like to address my remarks to all my fellow Canadians -- in Quebec as well as the rest of Canada. I share the disappointment of many of us following the defeat of the Meech Lake Accord. This defeat throws us once again into a constitutional debate and arouses many emotional reactions.

But we must overcome this disappointment, as well as the pessimism and hardening of positions which have been the result.

We must continue to work within Canada for the necessary changes which will allow us to build a united country capable of meeting the true challenges of the future.

We must try to rediscover our capacity to talk, to listen and to understand each other if we want, as the University of Montreal campaign slogan expresses so well, "RÉUSSIR ENSEMBLE".

### BERTIN F. NADEAU. . . towards a revised political framework

(Address to the Canadian Club of Montreal, Montreal, Quebec, February 25, 1991)

It is not my task -- nor have I the expertise or intention -- to spell out precise political structures or specific constitutional formulas. However, I believe that before putting forward any solution or

recipe, Canadians must first agree on objectives and some common decision criteria. For my part, I believe that in addition to providing Quebec with the means of preserving its own identity and

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promoting its cultural security, the current reform should aim at the following:

First: providing all regions of Canada with the means of meeting continental economic challenges in ways best suited to individual regional features. Each region should have sufficient control of its own development levers to allow for the creation of competitive solutions tailored to its inherent capacities.

Second: reducing the costs of the public sector, while increasing its efficiency and accountability, by getting rid of duplication and bringing decision-making closer to the needs of users, and more in line with user capacity to pay.

Third: reinforcing of inter-provincial economic links, especially through elimination of restrictions on the mobility of people, of capital, and of goods and services.

Fourth: enrichment of the overall Canadian reality by encouraging a whole-hearted input from all cultural communities, and by granting the native peoples a status in agreement with the legislative and judicial authority applied to all its citizens....

As a French-speaking Quebecer, I am deeply convinced that a dynamic and open Quebec, playing an active role in the Canadian whole, is the most effective way of handing on, intact, to future generations, the rich cultural and material legacy of which we are today the trustees.

Since this, after all, is our

objective, we must hold emotions in check and make a cool, rational assessment of exactly what is at stake here. It is easy to react with anger to perceived insult. Yet we may never have a better chance of playing a leading part in building a better political framework for this country -- for the benefit not only of Quebecers, but of all Canadians.

As a Canadian, I am convinced that this country has all that is needed to become the richest member of the G7 countries by the year 2000. And we can achieve this without sacrificing any of our most precious assets -- quality of life, traditions of tolerance and freedom.

Canada may be in a crisis. But it's not bankrupt. And just as every crisis has elements of danger, it offers equal elements of opportunity. The quest for solutions forces us to evolve. And by definition, this very process implies progress.

Looked at from this angle, Canadians all across the land must see the current constitutional crisis not as a deadend -- but as a welcome opportunity, a chance to create fresher, more flexible and effective structures, truly in tune with the realities of the 21st century. So I call upon Quebecers to continue the quest for a better understanding and mutual interest for all Canadians through a frank and open dialogue. And I urge Canadians outside Quebec to recognize the urgent need for a new beginning, and the immense benefits it will surely bring to Canadians of this and future generations.

PURDY CRAWFORD. . . on corporate governance in the 1990s

(Address to The Institute of Corporate Directors, Toronto, Ontario, October 23, 1990)

There are as many definitions of corporate governance as there are issues at play. I would propose a simple definition that, in terms of a public corporation where the Board of Directors is legally the ultimate authority, hopefully covers all significant issues. **The role and responsibility of a board is to ensure that a publicly-held company is run in the best interests of the shareholders....**

We have a fairly broad view of what is in the best interests of our shareholders. If we are not fair to our creditors and our preferred shareholders, we will ultimately damage the holders of our equity.

Furthermore, our reputation for integrity is one of our most important assets. Put another way, if you don't look after your employees, your suppliers, your customers and your community, then you ultimately hurt shareholder value. I recognize that this broad view as to what is in the best interests of our shareholders does not necessarily resolve all issues that can arise in this context. Many issues can still arise, some esoteric and some pragmatic, but...our approach at Imasco is to consider these issues from a broad perspective.

The more specific issues concerning corporate governance are many and varied, but most of them come down, in the end, to shareholder value. The issue of

shareholder rights is a good example. The driving force behind most, if not all, such issues, is shareholder value.

Shareholder rights issues have gone far beyond the question of voting versus non-voting shares or of the rights of minority shareholders.

The issue of shareholder rights includes take-over defences such as poison pills. It includes golden parachutes, golden handshakes, and management stock options....

The time is past when institutions and individuals automatically mailed in their proxies. The time is also past when, if shareholders disagreed with board policies, they simply sold and moved on. Now they are inclined to stay and fight, and in a very public way.

Shareholders want value from the corporations, performance from the management, and answers from the board, represented for the most part by the CEO....

The fundamentals of corporate governance are rather like basic law: you are not limited to what you can do, but there are certain things you must do. In every publicly-traded corporation, you have shareholders who elect a board, which is responsible for the direction and control of the company. The board and its committees run the company

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primarily by delegating -- most significantly to the chief executive officer....

Shareholder activism is no passing fad. It is with us to stay, and as long as we are doing our jobs, we should have nothing to fear from such scrutiny....

Shareholder activism is, in a sense, a form of intellectual competition that's going to result in higher

standards of corporate governance. It's going to result in the recruitment of more qualified, aggressive directors. That's going to result in improved performance and, in the end, higher shareholder value.

And that, in the end, will raise our sights and our standards on what we expect to deliver to shareholders, and what they expect from us.

DENNIS K. WILLIAMS. . . on productivity, change and human resources

(Address to the Financial Post Conference, "Building a Competitive Work Force", Toronto, November 13, 1990)

General Electric's 13 businesses compete around the world. Our experience has convinced us that the ability to increase productivity, and to welcome and capitalize on change more than any other factor, will determine which companies and, in fact, which nations will prosper in the '90s. I think this may be particularly true in Canada as we try to emerge from a protected market environment into a tough, competitive global marketplace.

So, the obvious question is: "Where do we get the productivity growth and the willingness to change in the '90s"? At GE we believe the answer lies in the creativity, curiosity, and intellect of the individual which, if empowered, can be the fountain-head of almost unlimited productivity. We also believe these inspired individuals will lead and, in fact, demand change.

Our Canadian companies must have a willingness to change before they are forced to change by the competition. Changing is tough, but let me assure you that refusing to change is disastrous and that earlier change is far better than later change. The price that you pay for later change can be tremendous. Michael Porter has commented that, "change is an unnatural act -- especially in more successful companies".

For this reason, change is a difficult notion for all of us in this room. The reason we are here, rather than working in a car wash, is because we have succeeded in our various pursuits. I suspect it's just human nature to believe that if we continue to do in the future what we have done in the past, perhaps do it a little better, we can continue to succeed. It is this notion that we must break.

Hopefully, at this point I have convinced you that change is a necessity and a trained, education-empowered group of individuals can lead this critical change. Now we must ask ourselves: "What kind of change?" We believe the way to approach this subject is on a business-by-business, market-by-market basis, and the question

must be: "What does it take to achieve competitive advantage?" The equation for each business will be different, but there are some central themes -- customer satisfaction, quality, delivery time, product innovation, and productivity. In all of these areas, the change must be radical, it cannot be incremental.

JEANNINE G. WOOD. . . sur le Canada face aux pressions du marché international

(Discours au Cercle Canadien de Montréal, 14 janvier, 1991)

Avec une population de 26 millions d'habitants, notre économie doit être moderne et efficace pour concurrencer celle de pays qui disposent de marchés intérieurs immenses. Mais la création d'une zone de libre-échange favorisera le développement et la spécialisation de nos industries et de nos entreprises de service....

Nous ne devons pas craindre outre mesure un marché commun englobant le Mexique.

Certains, notamment dans le monde syndical, craignent la conclusion d'un accord de libre-échange avec le Mexique. Les syndicats américains eux-mêmes s'opposent à un tel accord parce qu'ils redoutent la concurrence de la main-d'oeuvre mexicaine à bas salaire. Il est déjà trop tard. Dans les faits, il existe présentement des zones industrielles en franchise au nord du Mexique, on les appelle les "Maquiladoras".

Aujourd'hui la composante main-d'oeuvre est de moins en moins importante dans l'industrie manufacturière et dans certains services. Le succès des entreprises repose souvent sur une forte capitalisation et des équipements modernes utilisant les meilleures technologies.

Par contre la main-d'oeuvre demeure essentielle au fonctionnement d'une entreprise, mais ce qui compte, ce n'est pas son abondance à bas prix, mais son efficacité, sa productivité, son assiduité au travail et la qualité de sa formation.

Sur ce dernier plan, le Canada a de sérieux efforts à faire, mais il reste que nous disposons d'excellentes ressources technologiques dans plusieurs domaines de pointe, et de personnel largement qualifié.

La mise en place d'une zone de libre-échange avec le Mexique sera plus longue que dans le cas du

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Pacte de Libre-Échange Canado-Américain, compte tenu de la disparité des économies du Mexique, des États-Unis et du Canada.

D'ici là, nous aurons le temps d'améliorer notre compétitivité, tandis que le Mexique assainira son économie, devenant progressivement un marché dynamique pour nos entreprises.

Face aux marchés de la communauté économique, au

Marché Commun des Pays de l'Asie du Sud-Est, et peut-être face à plusieurs autres blocs économiques en Europe, en Afrique et au Moyen-Orient, la création d'un bloc continental en Amérique du Nord est une affaire de mois ou de quelques années. C'est inévitable.

Nous devons donc pour faire face à l'organisation économique du monde actuel nous intégrer à un bloc économique de grande taille.

ALLAN R. TAYLOR. . . on why we must hang tough on economic restraint

(Address to the Business School Club, Waterloo, Ontario, November 29, 1990)

The federal government, at the mid-point of its mandate, is facing challenging economic as well as constitutional issues. As it moves closer to the next election, it will be sorely tempted to move away from the unpopular but necessary policies of restraint.

I want to warn against that temptation, to urge Ottawa to stay the course on deficit reduction, and to hang tough in the fight against inflation.

This isn't going to be easy, but then getting it right never is. And Canada needs to get it right, get the fundamentals of fiscal and monetary policy right, and get them right now, so that we won't be crippled by debt and ruined by inflation later on....

First, on fiscal policy: under

normal recessionary conditions, we would be increasing government spending, and therefore the deficit, to stimulate recovery, and create jobs. We don't have manoeuvring room now because governments, federal and provincial, didn't balance their budgets during a seven-year period of unprecedented growth. It's not a very pleasant reality but it is, nevertheless, the reality.

Second, on monetary policy: The Bank of Canada's current policy of fighting inflation through monetary restraint is having the desired effect of bringing inflation down to acceptable levels. There's been a moderating of short-term interest rates recently, and we expect that trend to continue in the coming months.

What the Governor of our central

bank must avoid is any forced decline in rates that markets would regard as unjustified, such as we saw last January....

Third, on structural policies: just because we are concerned with the cyclical weakness in our economy, we should not abandon structural policies designed to strengthen the basics of our economy. For example, the GST may well have a short-term inflationary effect at the time of implementation. But it also represents a measurable improvement in the quality of the tax system....

In the area of trade, Canada should get involved in the Mexico-U.S. free trade talks. We are involved whether we are at the table or not. At a strict minimum, we have to protect the access for Canadian goods and services negotiated in the Canada-U.S. free trade agreement....

It's important for us in Canada to get on with these structural changes to our economy, even as we stay the course on fiscal and monetary restraint.

Our prosperity in the '90s depends on our getting it right.

ADAM H. ZIMMERMAN. . . on the value of our forest industry

(Address to the British Wood Pulp Association Symposium, London, England, November 8, 1990)

It seems that every Canadian government has to take quite a long time to learn the significance of the forest industry to the national economy. Probably this is because, in most cases, the forest is remote from the major decision centres.

You would think that everyone in Canada and elsewhere would embrace a resource operation which not only renews its resource, but produces a product which is recyclable, biodegradable, burnable, and of no risk whatever to human health. How very perverse that such a pedigree be ignored by the public to the extent that: sustainable forestry is being equated with deforestation; bleaching is being equated with poisoning; burning of waste for

fuel is called atmospheric destruction; and, we are faulted for what others do with our products (as in rubbish heaps)....

Canadian forestry is on a sustained and an improving-yield basis. Canadians are treating their forests well enough, and better and better all the time, but environmental demands are going to limit forests available for commercial forestry in Canada in the future. There are important distinctions in all of this. We do not have fast-growing species so we can't have the kind of plantations that exist in warm climates....

Perhaps that's enough about forests, and I could now give some mention to other environmental imperatives facing our industry.

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The first and probably best known of these is that of dioxin....

In 1988, experts from an independent research organization reviewed 400 epidemiological studies, and concluded that there's no evidence that average background body burdens of dioxin in the U.S. are at or near levels associated with adverse health effects....

Notwithstanding all of this, we have to recognize that the horse is out of the barn, and huge programs have been put in place to reduce or eliminate quantities of dioxin and total organic chlorides arising from pulp mill effluents....

So what we have is a situation where colossal amounts of money are being spent to remedy what may be largely a non-problem. It's difficult to say these things because one gets misquoted and misunderstood, however, at this stage our company, and I think the Canadian industry as a whole, is faced with [spending] amounts of money, essentially to attack this AOX [absorbable organic halides -- organic forms of chlorine] problem, that are in excess of our ability to generate capital....

The other big environmental issue, which relates to both forestry practices and chemical processes, is that of recycling. Suddenly the world demands recycled paper, but it wants it pure and clean and fast, at the same price as it was getting the previous product. Of all the

new things visited upon the industry in recent years, recycling has probably the most potential. However, having said that, it cannot be immediate.

In Canada we are faced with the funny position whereby, inasmuch as we export far greater quantities of pulp and paper products than we consume domestically, in order for us to satisfy recycling requirements we are going to have to import huge amounts of old news and waste paper....

But there is a silver lining... recycling offers a great opportunity for the industry to maintain its response to economic opportunity while putting less pressure on the forest environment...

I don't believe that the Canadian industry is presently making any money at all, the American industry is making very little, and I believe the Scandinavian industries are also in decline. This is not an accident, and it's also not good. Times are best when there are good, strong, profitable industries able to do all the good things that society may want, but also able to attract capital. I have not gone into any detail on the matter of costs of borrowing and absence of equity markets, but they are just further spikes in the roadway. I would hope that mechanisms could be found to achieve more sensible pricing and cost levels in future, so that we can meet the demands of society as expressed through the marketplace.

GEORGE A. PEAPPLES. . . on competing in a global market

(From an article in *Business Quarterly*, Autumn, 1990)

The decade of the 1980s saw the development of larger, freer, and more mature markets throughout the world. The 1990s will be the decade in which North American business must leverage its competitive strengths to capitalize on the potential these markets represent. Failure to do so will result in a decline in the standard of living enjoyed in North America. The price of admission to these new, expanded world markets in the 1990s will be products that offer customers superior quality and value.

It is appropriate to identify the trends that are likely to shape the balance of the decade, and discuss the challenges they pose for Canadian business....

Three critically important trade trends, which will reshape the business environment, are unfolding. The first is the creation of regional trading blocs such as the Canada-U.S. Free Trade Agreement, the dismantling of trade barriers within Europe under EC '92, and the U.S. and Canadian trade initiatives with Mexico. The evolution of the world's economies from "national" to "regional" is occurring very rapidly.

The second trend is the emergence of new markets. The dismantling of the centrally-planned economies of Eastern Europe, and the desire of the Soviet Union to transform its economy to a market-based

system, both have the potential to create new and very desirable markets over the long term.

Third, the thrust of current GATT negotiations has been to continue to bring down tariff and non-tariff barriers to trade among all nations.

These three trends will have a significant effect on Canadian business. Larger, freer markets are only a benefit to Canadian business if it can effectively compete in them. Businesses that maintain only a local, regional or even a national outlook are facing danger because foreign competition will certainly be targeting our traditional domestic markets. Every company -- large and small -- must manage its operation with a view that it can compete anywhere in the world, even if its own market is only a domestic one.

Canadian business, with all its strengths and resources, has opportunities to flourish both at home and abroad....

In today's global competition, there are no safe havens. However, having a strong customer focus, constantly seeking improvements in quality and productivity, and making continuous improvement a priority strategy should prepare Canadian business well for the task ahead.

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GUY SAINT-PIERRE. . . sur le don des langues et l'adaptabilité: clés du succès des entreprises multinationales

(Discours à la Chambre de commerce française du Canada, 21 novembre, 1990)

Dans 20 ans, lorsque le marché commun Nord-Américain comptera 160 millions d'hispanophones, il faudra à tout le moins y pratiquer deux grandes langues internationales.

Mais l'avenir appartient bien davantage à ceux qui maîtriseront quatre ou cinq langues. Il appartient aussi aux entreprises qui feront preuve d'adaptabilité....

Les nouvelles entreprises multinationales possèdent, à un degré élevé, l'art de s'adapter à leurs marchés et de mettre en marché leurs produits en respectant la culture environnante. La plupart du temps, elles sont tout aussi habiles à s'intégrer comme de bonnes citoyennes, au plan social....

Les entreprises québécoises devraient être privilégiées dans leur expansion internationale au plan de l'adaptabilité et de la flexibilité linguistique.

Les Québécois, qui parlent le plus souvent deux langues, possèdent automatiquement, de ce fait, une facilité accrue pour en apprendre une troisième ou une quatrième. La structure de pensée et le comportement développés pour faire l'apprentissage d'une langue seconde facilitent toujours l'apprentissage d'une autre langue supplémentaire.

À ce titre, plusieurs Canadiens et quelques Québécois croient qu'il est regrettable que le Canada, avec ses deux langues officielles, nous impose inutilement l'apprentissage d'une seconde langue. Aux uns et aux autres, il faut rappeler que dans l'économie mondiale de demain, ce n'est pas deux langues qu'il faudra connaître, mais bien trois ou quatre! Aux jeunes cadres ambitieux qui veulent bien préparer leur avenir, on disait hier: "Faites votre M.B.A." Aujourd'hui, je serais tenté de leur conseiller d'apprendre une troisième langue.

R. DONALD FULLERTON. . . on a national strategy of competitiveness

(Address to the Vancouver Board of Trade, Vancouver, January 18, 1991)

Two events took place last month which typify the challenges Canada faces at this crucial point in its social and economic history.

Here at home, the CBC reduced staff and cut back some of its regional programming.

And in Brussels, the latest round of negotiations among countries participating in the GATT reached what many observers fear is a permanent impasse over the issue of agricultural subsidies....

I find the difference in the way Canadians have responded to these two events quite instructive -- and disturbing.

It suggests that we are preoccupied, almost obsessively, with only select aspects of nationhood -- like the CBC, like VIA, like Meech Lake.

The disturbing part is that the more we focus on these matters, the more we neglect the equally substantive issues upon which the destiny of this country really rests -- issues such as the changes under way in world trade, the competitive challenges we face in the global marketplace, and the paralysing burden of our national debt....

We must set priorities and then stick to them over the long term. And we have to get those priorities in the right order.

We won't, for instance, be able to have world-class social programs unless we first become a world-class competitor, capable of producing the wealth that can sustain these programs....

That means taking risks. It means self-confidence.... Above all, it means taking action. So, how do we go about doing this?

We concentrate on our strengths

-- strengths such as our natural resource industries, telecommunications and other advanced technologies, engineering, construction, finance, software development, our multicultural traditions, and a host of other areas where Canadians have traditionally excelled.

The next thing we do is marshal these strengths and use them to exploit market opportunities in other countries.

And we start by focusing even more on the advantages, not the drawbacks, of doing business with -- and in -- the United States....

And above all, we will not fail if we develop a plan -- a nation-wide strategy, with well-defined goals: eliminate the deficit; pay down the debt; maximize our competitiveness; and, achieve global leadership in the areas where we have been traditionally strong....

It can be done. But we have to make a commitment.

I, personally, am willing to make that commitment and to contribute my time and effort, in any way that might be useful, to launching and sustaining a national strategy of competitiveness.

And I'm prepared to back up my rhetoric with action. And I urge those of you who agree with me to do the same thing.

Speak to your elected representatives in all the political parties. Recruit others to do the same.

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Let us deliver, in the strongest possible terms, this vital message to our leaders and to all Canadians:

- That the health of our economy and the material welfare of this country is not merely another item on our national agenda. It is the national agenda.

- That a caring society must first and foremost be a competitive society, one that has to create wealth before it can share wealth.

- And that national unity is not something that can be legislated or imposed from above. It grows from within -- out of belief in ourselves, confidence in ourselves, and pride in ourselves.

Those qualities do not come from talk, debate or discussion. Nor do they emerge out of self-absorption and self-pity. They are forged in the crucible of action, decision, and, most of all, success.

**CHARLES H. HANTHO. . . on the competitive challenge facing manufacturing in Canada**

**(Address to the Canadian Club of Montreal, Montreal, January 21, 1991)**

Canada is, indeed, in the throes of a recession.

And it's a recession that, I think, threatens more serious long-term consequences than the slump we went through in 1981-82. Because this time around, we are presented not only with a recession but also, globally, with a much-intensified competitive climate...and, in North America, a shift to a new set of rules under the Free Trade Agreement. To make matters worse, we are faced with a Canadian investment climate that has excessively high interest rates and a badly over-valued currency.

These are factors that pose serious challenges for Canada's manufacturing industry.

Naturally, I want to see Canadian manufacturing overcome its present problems and realize its

full potential on the world scene. But then, this should be the goal of all of us. Our nation as a whole should commit to achieving a healthy, world-competitive manufacturing industry. All of us should be intent on seeing that our manufacturing firms are able to stand up against the best in the world and win....

The road ahead for manufacturing in this country is pitted with many challenges. But I really do believe we have the skilled and imaginative people to take the country along that road. We do have the manufacturing capabilities and the tenacity to deliver superior products -- products that can outperform all-comers in global markets. But while they are on this quest, manufacturers will not be able to carry the extra burdens that result from a non-competitive economic environment.

All governments, provincial and federal, must embrace global competitiveness as the most important national priority. And they must create the climate that gives manufacturers the room to manoeuvre and prove what they can do in a tough and unforgiving world. The best ways government can do this are: gain control of the deficit and resolve to eliminate it within five years...not by raising taxes but by placing greater restrictions on its own spending.

Let's hope the government takes action sooner rather than later. At the moment we are frittering away the opportunities that the Free Trade Agreement and world competition offers. It isn't just the future of manufacturing that's at stake. This issue affects all Canadians...the quality of our lives...our standard of living...and our values and aspirations as a nation. What can be more important to fight for?

**THOMAS P. d'AQUINO. . . five reasons why deficits and debt matter**

(Address to the Calgary Chamber of Commerce, Calgary, February 11, 1991)

1. **Deficits and debt drive up interest rates**

First and foremost, deficits and debt have helped to drive up interest rates to very high levels. The reason is that government deficits absorb most of Canadians' savings. Think about it: it is not a coincidence that Canada has been particularly prone to higher interest rates since 1980 -- Ottawa's debt more than quadrupled over this period.

It is essential to understand that when it runs a deficit, government is competing literally with private sector borrowers -- both business and household -- for the available pool of national savings. As we all know, when demand for anything increases but supply remains unchanged, its price rises. The same is true of our savings.

Don't forget that the price of our

savings is measured by the interest rate. Think about the role of government deficits and debt in pushing up interest rates the next time you renew your mortgage or pay your credit card bills.

And what about growth, investment and jobs? High interest rates are a most serious threat to all of these. What better example than the serious recession gripping the country now where high interest rates stand out as a major culprit.

2. **Deficits and debt lead to higher taxes**

A second example of how deficits and debt have a direct effect on our daily lives is the relationship between deficits, debt, and higher taxes. Since 1985-86, for example, personal income taxes collected by the federal government -- the kind of taxes that you and I see

being deducted from our regular paycheques -- have risen by almost 70 percent. During this same period, federal sales and excise taxes have jumped 74 percent, and with the GST they will rise further still. All of these increases have taken place in order to finance further spending and to help carry the soaring costs of servicing the debt. Higher and higher taxes mean fewer and fewer dollars in your pockets, and steadily diminishing incentives to save.

According to the Fraser Institute, Tax Freedom Day, which represents how far into the year Canadians must work to pay their entire tax burden, has been advancing steadily in recent years. In 1990, Tax Freedom Day was June 30 -- the half-way point in the year. If the current federal deficit were being fully financed with taxes, Tax Freedom Day would move ahead to July 25.

Higher taxes are the inevitable result of undisciplined fiscal policies, rising government spending and our inability to get our deficits under control....

3. Deficits and debt increase our economic vulnerability

A third example of how deficits and debt have a direct effect on our daily lives is the degree to which we must rely increasingly on foreigners to finance our spending. This happens in two ways. First, because the federal government is using up most of the available national savings, private sector borrowers, crown corporations, and provinces increasingly must borrow

from foreign lenders. Second, because of the sheer magnitude of its appetite for borrowed funds, the federal government itself is borrowing more and more money from foreigners.

The bottom line result is that our overall foreign debt has grown steadily in the 1980s and now stands at \$230 billion. Canada now has the unenviable distinction of being the second biggest debtor nation in the world -- far ahead of Mexico, Brazil, Argentina and other developing nations. What does this mean to you and me? Our voices count for less in the shaping of our national economic policies -- and the voices of our foreign creditors increasingly count for more.

4. Deficits and debt impose a burden on future generations

A fourth example of how deficits and debt have a direct effect on our daily lives is that they are causing us to punish, in a most selfish and irresponsible way, future generations of Canadians. As a society, we are in effect consuming government services today which our children and grandchildren will be forced to pay for tomorrow. Through our failure to address the deficit problem, we are ensuring that our children will pay more taxes, and receive fewer government services, than we do.... And by the way, do your children understand the terrible fiscal mess which our generation expects them to clean up when they become adults?

5. Deficits and debt undermine present and future government programs

A final example of how deficits and debt have a direct effect on our daily lives is with regard to the viability of present and future government programs and services. Take the current recession as an example. After seven years of overall strong national economic growth, many Canadians are again facing hard times. Are we able to call on our national treasury to help cushion the impact of the recession? Not without plunging

the country further into debt. We did not save for a rainy day in the good times, and now, as a consequence, the hard times will be longer and carry a heavier cost.

And what about the future? As the debt continues to soar, and the interest on the debt soars with it, governments will be forced to cut back dramatically on social programs, programs to protect the environment, equalization payments to poorer regions, and support for maintaining and building the country's economic infrastructure.