

**TAKING CARE OF BUSINESS: THE GENESIS AND HISTORICAL EVOLUTION  
OF THE BUSINESS COUNCIL ON NATIONAL ISSUES, 1976-1988**

by

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## **Abstract**

The Business Council on National Issues (BCNI), comprised of 150 chief executive officers representing Canada's largest business firms and led by its president Thomas d'Aquino, has been a powerful voice on behalf of Canada's "big business" sector since its inception in 1976. Its involvement in the contentious free trade debates of the mid-1980s effectively demonstrates the blue ribbon organization's uncanny ability to broker an internal consensus within Canadian "big business" and to diplomatically advance its policy positions with the federal government and in the public forum.

This thesis applies a case study approach to the Council in order to cast light on its innovative style of consensus building and thereby to further our understanding of the complex relationship between business and government in Canada. The thesis, drawing on archival materials and interviews, argues that the BCNI has fundamentally altered the nature of business-government relations in Canada, replacing the omnibus lobbying style of umbrella organizations like the Canadian Manufacturers' Association with a more focused and proactive approach to business-government relations.

## **Acknowledgements**

I have discovered over the course of this project that, though my name alone dons the cover of this thesis, it is, indeed, a manifestation of the support I have received from countless others.

First and foremost, I am truly indebted to my supervisor, Dr. Duncan McDowall, who Michael Bliss has rightly described as “Canada’s leading business historian.” Dr. McDowall welcomed in September 2005 an enthusiastic, yet naïve graduate student. In the intervening two years, his guiding hand and sound advice have helped to shape an awfully rough idea into this finished product.

I must also thank others in the History Department at Carleton University, including Dr. Norman Hillmer and Dr. Matthew Bellamy, who have bestowed upon me their accumulated wisdom and offered their collective ears. Joan White, the department’s graduate secretary, also deserves special recognition. Her contribution to the department in general and my own graduate experience in particular is surely immeasurable.

To my friends and family, I owe both gratitude and an apology. Put simply, those close to me have been forced to read more drafts and to hear more about business-government relations than should ever be expected. To my grandparents, who have always been a pillar of support, and who took it upon themselves to diligently collect news items concerning the BCNI; to my parents, whose financial and moral support cannot be overstated; and to Beverley, my constant companion through the odyssey of graduate work – thank you.

This thesis has profited from the cooperation and goodwill of a number of former BCNI members and others who met with me to share their experiences with the Council. Bruce Doern, Michael Hart, Darcy McKeough, Steele Curry, Donald S. Macdonald, Jock Finlayson, Alfred Powis, David Culver and Derek Burney all helped to sharpen my analysis and to lead me in new and, at times, unexpected directions.

Finally, I must also recognize the assistance of the CCCE. Sam Boutziouvis, the Council's Vice-President of Policy and Director of Research, always managed to find time in his busy schedule to meet with me. His cooperation and encouragement was certainly much-appreciated. Thomas d'Aquino and his able staff were quick to provide me with necessary resources and helped immensely to facilitate my research. Their willingness to crack open the window of the BCNI has provided me with an unique opportunity to cast new light on the organization and to examine its active involvement in the intense political debates of the 1980s that have fundamentally shaped Canada's economic trajectory in the past three decades.

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## **Chapter One: United We Stand; Divided We Fall?: The Unraveling of the Business-Government Relationship in Canada**

### **Business and the State in the Beginning**

Business and its institutions have been dynamic forces in shaping governmental policy in Canada since the seventeenth century. Early Canadian history is punctuated by the partnership, and sometimes rivalry, of business and state purpose – the Company of One Hundred in New France and the Hudson Bay Company of British North America playing star roles. The relationship between business and government has unquestionably evolved over time, but remains fundamentally rooted in a long-standing interrelation of commerce and politics – enterprise and polity. From the arrival of merchant adventurers in the seventeenth century to the 1988 free trade election, this fundamental relationship has, in a crucially formative fashion, molded the structures of our economic and social life. As historian Michael Bliss notes, “In Canada, far more than in the United States, the competitive strategy of working with or through government, or otherwise making use of it, has coloured the evolution of enterprise, the economy and the government itself.”<sup>1</sup> Thus, it is only natural that the complex relationship between business and government has received significant academic attention. The businessman has been cast in varying lights in Canadian history. To some, like Harold Innis and Peter C. Newman, he is a visionary merchant prince who set the boundaries of our nationhood. To others, like R.T. Naylor and Linda McQuaig, the businessman has been a subverter of national well-being. All agree, however, that

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<sup>1</sup> Michael Bliss, *Northern Enterprise: Five Centuries of Canadian Business*, (Toronto: McClelland & Stewart, 1987), 10

business is at the fulcrum of Canadian development.<sup>2</sup> To fully understand the complex and formative relationship between business and government, one must examine its origins, beginning with the interdependent development of Canada's commercial and governmental structures.

Canada's colonial experience was rooted in a commercial system designed to facilitate transcontinental trade. Colonial government existed to cultivate and administer the overseas trade of Canadian primary resources, or *staples*, the first of which was fur.<sup>3</sup> In his book, *The Commercial Empire of the St. Lawrence, 1760-1890*, which was originally published in 1937, Canadian historian Donald Creighton eloquently demonstrates the fluidity of economic and political affairs during this period. "It was western trade," Creighton explains, "which largely determined the style of Canadian politics."<sup>4</sup> This theme was echoed in the work of economic historian Harold Innis who argued that staple-driven trade actually defined the boundaries of the emerging political entity of Canada. In this commercial system, the role of the government was, by Creighton's admission, dictated by the imperatives of transcontinental trade – "the state was based on it: it was anterior to the state."<sup>5</sup> As he notes, "colonial government derived its strength from taxes paid directly or indirectly by the western trade; and that strength was expended in an effort to extend the

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<sup>2</sup> See Harold Innis, *The Fur Trade in Canada*, (Toronto: University of Toronto Press, reprinted 1999); Peter C. Newman, *Merchant Princes*, (Toronto: Viking Books, 1992); R.T. Naylor, *The History of Canadian Business: 1867-1914*, (Montreal: Black Rose Books, 1997); and Linda McQuaig, *The Quick and the Dead: Brian Mulroney, Big Business, and the Seduction of Canada*, (Toronto: Viking Books, 1991).

<sup>3</sup> In his 1936 book, *The Fur Trade in Canada: an Introduction to Canadian Economic History*, University of Toronto political economist Harold Innis advanced the "staples thesis" – the theory that Canada developed as it has because of certain staple commodities – which is still the underpinning of the study of Canada's economic development.

<sup>4</sup> Donald Creighton, *The Empire of the St. Lawrence: A Study in Commerce and Politics*, (Toronto: Macmillan Company of Canada Limited, reprinted in 1956), 16

<sup>5</sup> *Ibid.*

dominion of the fur trade and to protect it from competition.”<sup>6</sup> During this period of economic and political development, the relationship between business and government became closely interwoven. Creighton made much of what he believed was an underlying tension between commerce and agriculture in British North America; merchants seeking to extend their hinterland using tax-funded canals and farmers resisting their agenda. Economic historian R.T. Naylor of McGill has gone so far as to argue that Montreal commercialists even “hijacked” the state and thereby denied Canada economic policy that served anything more than trading – as opposed to industrial ends.<sup>7</sup>

The merchant class that emerged in the first half of the nineteenth century acquired and maintained an enormous influence in Canadian affairs. According to Creighton, “it was the most self-conscious, purposeful and assertive of all Canadian social groups.”<sup>8</sup> As stewards of the transcontinental trading system, the merchants exercised significant political power. The nature of the commercial system compelled business to enter the politics of the old province of Quebec, of the British Empire and of the American continent. Names like Molson, McGill and MacNab highlighted the politics of Upper and Lower Canada. “Railways are my politics,” Sir Alan MacNab famously stated. At the junction of commerce and politics, the merchant class was in a unique position to shape the economic and political structures of colonial Canada.

During this early period of commercial and political development, the Canadian business community combined readily into local groups to petition governments for

<sup>6</sup> Ibid., 17

<sup>7</sup> “Canada’s social structure,” Naylor notes, “and therefore the proclivities of its entrepreneurial class, reflected and reinforced its innate colonialism. The political and economic elite were men associated with the staple trades, with the international flow of commodities and capital that complemented the commodity movement. They were wholesale dealers and bankers in Montreal in particular, and to a lesser extent in Toronto and Halifax.” See Naylor, 4

<sup>8</sup> Creighton, 23

measures that would either promote trade or protect it. As the nineteenth century progressed, informal groups and ad hoc committees gave way to more permanent organizations. Boards of Trade, as they have generally called themselves, coalesced in every important town, advocating alternatively expansionary and protective policies. According to Dalhousie University political scientist Paul Pross, “the Toronto Board of Trade was probably typical.”<sup>9</sup> It received charter in 1844, though it had been in existence for some years before that, and it represented the newer merchant class in the rapidly expanding town. Put simply, its concerns during the 1840s and 1850s were those of a frontier business community. George Brown’s *Toronto Globe* gave voice to this assertive commercial agenda. Their ambitions usually centred on capturing and holding the hinterlands for their trade. These localized institutions, such as the Toronto Board of Trade, often sought a seemingly contradictory trading system that offered its members unfettered access to colonial markets, but at the same time demanded protection for domestic industries, which many of them had begun to invest in to serve the local market. Despite their, at times, incoherent positions, these small, but cohesive groups managed to continue their predominance over the limited public policy arena through their respective relationships with members of the Colonial Legislature, several of whom were also members of the Board. Such an incestuous arrangement granted these organizations ready available access to leading politicians and a significant influence over governmental affairs. Indeed, historians like Frank Underhill would argue that the

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<sup>9</sup> Paul Pross, *Group Politics and Public Policy* 2<sup>nd</sup> Edition, (Toronto: Oxford University Press, 1992), 28

economic ambitions of the merchant-lawyer class offered the most persuasive explanation of Canada's road to Confederation.<sup>10</sup>

### **Business and the National Policy**

Commercial enterprise remained paramount in the early years of Confederation. Although the distinction between business and government became more pronounced, Bliss has argued that "the late nineteenth and early twentieth centuries were the Golden Age of Canadian business enterprise."<sup>11</sup> With the ideas of John Maynard Keynes and the notion of interventionist government decades away, Canadian business operated in a free-market environment conducive to unfettered capitalism based on the notion of market liberalism.<sup>12</sup> "It was the age of the Canadian Captain of Industry," he claims, "the age when businessmen seemed to be the national class in Canadian life."<sup>13</sup> With Confederation, however, came new national and political configurations that had a tremendous impact on the organizational activities of business. Under the leadership of Prime Minister Sir John A. Macdonald, a strong central government was formed to represent the diversity of Canada's regions, a diversity that did not always neatly mesh with the central Canadian commercial agenda. Section 91 of the *British North America Act* was redolent with prerogatives that favoured the coast-to-coast ambitions of the central Canadian business class.

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<sup>10</sup> See Frank Underhill, *Images of Confederation*, (Toronto: CBC Publications, 1970); and Underhill, *In Search of Canadian Liberalism*, (Toronto: MacMillan Company of Canada Limited, 1960).

<sup>11</sup> Michael Bliss, "Dyspepsia of the Mind: The Canadian Businessman and His Enemies, 1880-1914," In David S. Macmillan (ed.) *Canadian Business History: Selected Studies, 1497-1971*, (Toronto: McClelland & Stewart Limited, 1972), 175

<sup>12</sup> Keynes, the twentieth century's preeminent economist, advocated activist economic policy by government to stimulate demand in times of high unemployment, for example, by spending on public works. In years after the Depression, Keynesian economics was widely embraced by national governments worldwide, fundamentally altering the role of the state in the economic sphere. See Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy*, (New York: Simon & Schuster, 1998), 110.

<sup>13</sup> Bliss, "Dyspepsia of the Mind", 175

In response to the centralization of government in post-Confederation Canada, the business community fittingly adapted its organizational behaviour. “As local influence declined and as the costs of interest representation increased,” Pross explains, “community groups merged into provincial and national federations.”<sup>14</sup> By pooling resources, business groups could hire permanent staff to keep an eye on government policy-makers and to take care of the day-to-day representations that seemed essential as administrative structures developed around the executive. Although amalgamation was rightly seen as a means to reducing the increasing cost of speaking to government, it also served, perhaps inadvertently, to enhance the legitimacy, and, in time, the demands of business. By amalgamating along national lines, the business community came to be able to style its ambitions and sentiments as “national” long before other classes and interest groups in the young nation could do so.

In the early years of Confederation, the influence of these new national business organizations was unmistakable. While the business community remained largely regionalized, its lobbying efforts began to reflect the emergence of a national political entity. As a result, the relationship between business and government remained intimate. The Conservative Party, unlike its Liberal opposition, was, by the 1870s, conscious of the business community’s growing proclivity for tariff protection, and wisely refrained from any public flirtations with continental free trade. Would-be Canadian industrialists like Isaac Buchanan in fact became the first lobbyists to carry a policy message – protectionism – to the corridors of power in Ottawa, a policy that ran decidedly against

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<sup>14</sup> Pross, 39

the grain of prevailing free tradism.<sup>15</sup> Moreover, the new national government, in close consultation with business, introduced a series of economic and trade policies designed to foster internal growth in the manufacturing and resources sectors.<sup>16</sup> With the support of business, the Macdonald government became associated with a regime of protectionist measures that characterized Canada's early economic development. The National Policy was born.<sup>17</sup>

It was the tariff, and a desire to suppress foreign competition that organized Canadian business in an unprecedented way. Presenting a cohesive front, the business community was able to exert extraordinary pressure on the government to preserve the existing tariff regime. In his doctoral thesis-turned book, entitled *A Living Profit*, Bliss declares that the "maintenance of the National Policy with only two minor alterations through eight general elections, particularly those of 1891 and 1911, was the most impressive demonstration of political influence by a group in the business community during the period."<sup>18</sup> This group, largely representing central Canadian commercial interests who had attached their star to the possibilities of an emerging urban-industrial economy, began to exhibit the hallmarks of effective systematic lobbying. "On no other issue," he explains, "did businessmen present such elaborate and persistent and successful justifications of their position."<sup>19</sup> While business supported the tariff as a means of insulating itself from foreign competition, it effectively presented the issue of

<sup>15</sup> See Douglas McCalla, "Isaac Buchanan," *Dictionary of Canadian Biography* Volume XI, 1881-1890, (Toronto: University of Toronto Press, 1982), 125-131.

<sup>16</sup> See Michael Bliss, *The Evolution of Industrial Policies in Canada: An Historical Survey*, (Ottawa: Economic Council of Canada, 1982).

<sup>17</sup> See Ben Forster, *A Conjunction of Interests: Business, Politics and Tariffs 1825-1879*, (Toronto: University of Toronto Press, 1986).

<sup>18</sup> Michael Bliss, *A Living Profit: Studies in the Social History of Canadian Business, 1883-1911*, (Toronto: McClelland & Stewart Limited, 1974), 95

<sup>19</sup> Ibid.

protectionism as one of national development and sovereignty. Indeed, Canadian business, by framing the issue in magnanimous terms, was able to identify its own self-interests with those of the general public. Soon, the business community's skillful messaging, which purposely deemphasized its own commercial interests and, instead, focused on the national interest, became an important and powerful weapon it duly wielded when the opposition Liberals mused about removing the tariff barriers, a lesson powerfully demonstrated in the 1891 federal election.

Still, historians have had a tendency to overstate the homogeneity of Canada's business community during this formative period. Many have argued, for instance, that the National Policy was a manifestation of the close relationship between the Conservative Party and a monolithic business community. However, business historian Ben Forster rightly maintains that "even with the encouragement of the Conservatives as a party and government, the organizational solidarity of Canadian industrial interests was limited."<sup>20</sup> During the 1850s and 1860s, tensions within the business community between free-trading commercialists and pro-protectionist industrialists were real and often irrevocable. Bliss has argued, for example, that, "protectionist businessmen were always bedeviled, or thought they were, by the free-trade fifth column in their midst working in alliance with agrarian interests against the National Policy."<sup>21</sup> This marked division – between free-traders and protectionists – at times required the federal government to cope with a disjointed and incoherent business lobby. Nevertheless, many of the national business organizations that emerged in the immediate post-Confederation

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<sup>20</sup> Ben Forster, "The Coming of the National Policy: Business, Government and the Tariff, 1876-1879," In Douglas McCalla (ed.) *The Development of Canadian Capitalism: Essays in Business History*, (Toronto: Copp Clark Pitman Limited, 1990), 137

<sup>21</sup> Bliss, *A Living Profit*, 130

period continued to be dominated by the interests of central Canadian industrialists who remained unabashedly in support of a protectionist agenda. These industrialists increasingly pushed Ottawa to expand protectionism from the “incidental protection” offered since the late 1850s into a full-blown tariff panoply around Canadian industry.

Samuel Clark’s 1939 case study of the Canadian Manufacturers’ Association (CMA) demonstrates that the association’s origins in the 1870s were founded in the collective support for protectionist tariffs among Canadian manufacturers. The Manufacturers’ Association of Ontario, which was formed in November 1875 and served as the precursor to the CMA, was designed exclusively to “to use every legitimate means to prevent, and avoid, violent fluctuations in the customs regulations of the Government.”<sup>22</sup> Its inception was provoked largely by the newly-elected Liberal government’s dedication to continental free trade.<sup>23</sup> For the next three years, the association worked tirelessly to convince the opposition Tories to don a protectionist coat. In 1878, much to the delight of the manufacturers, Macdonald’s Conservative Party returned to power trumpeting the National Policy, a comprehensive tariff scheme that responded both to the blandishments of business and the broader national dyspepsia brought on by the recession that had stalled the national economy.<sup>24</sup> While the defeat of the free-trading Liberals surely pleased the majority of Canadian manufacturers, a small

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<sup>22</sup> Samuel Clark, *The Canadian Manufacturers’ Association: A Study in Collective Bargaining and Political Pressure*, (Toronto: University of Toronto Press, 1939), 3.

<sup>23</sup> The Liberal Party defeated the Tories in the 1874 general election amid allegations of corruption and kickbacks relating to the construction of the Canadian Pacific Railway. See J.L. Granatstein and Norman Hillmer, *Prime Ministers: Ranking Canada’s Leaders*, (Toronto: HarperCollins Publisher Ltd., 1999), 21.

<sup>24</sup> The National Policy established high tariffs as a way to build and protect new industries and accelerate the pace of national economic integration. But, as Hillmer and Granatstein note in their book, *Empire to Umpire*, if the National Policy began “as a fiscal measure... [it] became synonymous with the new nation.” “It evolved,” the two historians elaborate, “into a broader expression of the intention to build up the Canadian economic structure by means of tariffs, railways, and immigration and to take aggressive stands on important issues in Canadian-American relations.” Hence, Macdonald’s National Policy became “a statement of Canadians’ insistence on protecting themselves from and grappling with the United States.” See Granatstein and Hillmer, *Empire to Umpire*, (Toronto: Copp Clark Longman Ltd., 1994), 7-9.

minority, based largely in Canada's outer regions, viewed the National Policy as an immeasurable hindrance to their commercial operations. As Forster notes, "Their [the national business class] unity was decidedly incomplete, undermined as it was by the jealous suspicions of sectional and special interests, by an inability to compromise, and by political maneuvering."<sup>25</sup> Despite this growing division within the business ranks, the business community – unchallenged by competing interests in the Canadian public policy arena – continued to exert significant political influence. Nonetheless, this emerging dissonance between central Canadian protectionists and regional free traders foreshadowed the problem of disunity that would weaken the voice of the business community and threaten its dominant position in the Canadian public policy forum in the twentieth century. This persistent tension provides a salutatory lesson for historians – the notion of a "business class" must always be cast in a nuanced light.

After contributing to the electoral defeat of the Liberals in 1878, the Manufacturers' Association of Ontario quickly slid into irrelevance. With the Conservative government committed to maintenance of the tariff as the nation's primary tool for economic development, its limited membership was content to cede its collectivism to a broader national affiliation. In 1887, the association changed its name to the Canadian Manufacturers' Association, and aimed to broaden its interests. "It failed, however," Clark notes, "to gain in strength, largely because it had achieved its main object in 1879 and its organization was not sufficiently developed to keep alive the interest of the members in less spectacular activities."<sup>26</sup> To remain pertinent to the industrial interests of its members, the CMA needed to undertake further reforms in

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<sup>25</sup> Forster, "The Coming of the National Policy", 136

<sup>26</sup> Clark, 7

organization and the way it groomed business consensus. The CMA would find itself in the perpetual bind of having to preserve central Canadian consensus while always having to keep an eye on dissidence on the margin.

To achieve this end, a general reorganization was undertaken in 1900 that sought to strengthen the central office while at the same time broadening the membership by allowing greater autonomy within the framework of the association. At the CMA's annual meeting that year, a series of resolutions were passed that transformed the industrial association. The adopted reforms were designed to expand the CMA's membership beyond the industrial centres of Toronto and Montreal, and to attract new members from emerging industrial sectors. By November 1901, branches had been formed in Vancouver and Winnipeg, and, in August of the next year, one in Quebec City. The expansion of the CMA successfully strengthened its membership base and increased its influence in a number of public policy spheres. At the same time, however, these structural changes exacerbated division within the association by increasing the diversity and complexity of its membership base. While Clark is, to a certain extent, right to observe that "the completion of the organization of the CMA marked the definite emergence of the interests of manufacturing as a force of importance in the economic and political life of Canada," the continued expansion of its membership base irrevocably hindered its ability to articulate a cohesive message in the long-term.<sup>27</sup>

### **Business and Trade Reciprocity, 1911**

In the subsequent decade, the National Policy functioned as the underpinning of Canadian commercial and economic development. Despite the defeat of their Conservative allies in the 1896 federal election, Canadian industrialists continued to

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<sup>27</sup> Ibid., 10

expand their manufacturing activities behind secure tariff protection. To placate business proponents of protectionism – a sizeable constituency situated predominantly in vote-rich central Canada – the Liberal Party, under the leadership of the charismatic Sir Wilfrid Laurier, had abandoned its support of continental free trade – a shift ratified at an 1893 party convention – and was in turn, rewarded with a decisive electoral victory and the new-found friendship of the business class. To signal his standpatism, Laurier selected a seasoned businessman – Halifax publisher William S. Fielding – as his finance minister. During the first ten years of his prime ministership, Laurier upheld his promise. Fielding would tinker with the tariff, but not scupper it. A wave of national prosperity followed, so much so that Laurier was eventually tempted to return his party to its nineteenth century free trade orientation. On 26 January 1911, Fielding informed the House of Commons that the government was prepared to renege on protectionism and to negotiate a trade reciprocity agreement with the United States. In short, “Laurier was apparently proposing to breach the [tariff] walls.”<sup>28</sup> Although the tentative agreement was primarily concerned with agricultural trade, members of the business community were acutely suspicious. According to J.L. Granatstein, “the reciprocity in natural products was seen as the thin edge of the wedge that would eventually see the tariff protection against manufactured products removed.”<sup>29</sup> To protect their commercial interests and quash the deal, the pro-protectionist industrialists assertively responded.

On 20 February 1911, eighteen Toronto businessmen published a manifesto that contended that Canada’s prosperity was owed to the National Policy and that reciprocity would decimate Canadian industry. Moreover, the free trade opponents – cognizant of the

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<sup>28</sup> J.L. Granatstein, “Freer Trade and Politics,” In Norman Hillmer (ed.) *Partners Nevertheless: Canadian-American Relations in the Twentieth Century*, (Toronto: Copp Clark Pitman Limited, 1989), 68

<sup>29</sup> Ibid.

basis of their success in the past – reverted to the high-minded argument that such an agreement would propel Canada into the economic orbit of the United States, and inevitably weaken ties with the British Empire. All in all, the “Toronto Eighteen” claimed, reciprocity threatened Canadian nationality “with a more serious blow than any it has heretofore met.”<sup>30</sup> Indeed, their industrial ventures had prospered behind the protection of the National Policy, and once again they mobilized to preserve its security.

The Conservative Party and its leader Robert Borden were eager to capitalize on the anxiety of business. On March 1, Borden met with Clifford Sifton, a disaffected Liberal, Lloyd Harris, MP of the Massey-Harris interests, Z.A. Lash, a lawyer for railway interests and J.S. Willison, the editor of the *Toronto News*.<sup>31</sup> The four men expressed their vehement opposition to the reciprocity agreement, and offered Borden the support of business in a general election in exchange for a series of promises. Borden, an advocate of clean and transparent government, was faced with a difficult choice. The business representatives demanded, in particular, that he consult with Lash, Willison and Sir Edmund Walker of the Bank of Commerce in forming a cabinet. “Borden readily agreed,” Granatstein explains, “and the alliance between the manufacturers and financiers of Central Canada and the Conservative Party was sealed.”<sup>32</sup> The revolt of Toronto capitalists furnished Canadian politicians with a powerful example of what cohesive business opinion could do to public policy.

This unprecedented arrangement had tremendous political implications. With the financial support of big business, the Conservatives were instantly reinvigorated after

<sup>30</sup> Ibid.

<sup>31</sup> Sifton, Laurier’s onetime minister of the interior, had left Cabinet over the question of French-Canadian rights in the new provinces of Alberta and Saskatchewan in 1905. See John W. Dafoe, *Clifford Sifton: In Relation to his Times*, (Toronto: Macmillan Company of Canada Limited, 1931), 161-170.

<sup>32</sup> Granatstein, “Freer Trade and Politics”, 68-69

fifteen years in opposition. Business, however, was not prepared to leave the issue to the politicians. “Outside the House,” Naylor writes, “big business waged a titanic struggle.”<sup>33</sup> Equipped with their knowledge of the power of advertising and funded by ample coffers, business was well-situated to turn public opinion. The Canadian National League, along with Canadian Home Market Association, a creation of CMA, undertook a massive propaganda campaign. By mid-August 1911, the two organizations had distributed 9.5 million pamphlets, with 20,000 more going out each day.<sup>34</sup> Despite their private agreement with the Borden Tories, the anti-free trade industrialists stepped directly into the political arena to ensure a Conservative victory and the aborting of the much-maligned reciprocity agreement. In an age which placed an increasing premium upon organization, business proved the most effective of the organized groups in Canadian society.

In the end, its efforts proved fruitful. Laurier grudgingly called an election to escape the obstructionism of the Tories in the House of Commons.<sup>35</sup> In the ensuing election, the Conservatives convincingly defeated the Liberals, sealing the demise of the reciprocity agreement. As Naylor notes, “the defeat of reciprocity was a watershed point in the history of Canadian commercial policy.”<sup>36</sup> The broad-front defeat of the Liberal government reduced the issue of North American free trade “to that of a political albatross.”<sup>37</sup> Once again, protectionist elements within the Canadian business community had flexed their collective muscles and gotten their way. A few journalists, like Gustavus

<sup>33</sup> Naylor, 212

<sup>34</sup> Granatstein, “Freer Trade and Politics”, 69

<sup>35</sup> He was, before Jean Chrétien in 2000, the only federal leader ever to take his majority government to the people after just three years. See Granatstein and Hillmer, *Prime Ministers*, 58.

<sup>36</sup> Naylor, 209

<sup>37</sup> Granatstein and Hillmer, *Prime Ministers*, 60

Myers in his Progressive-era inspired attack on big business, remarked on the unchecked nature of this influence, but most Canadians seemed to still equate business wishes with national progress.<sup>38</sup>

### **Business in the “Dirty Thirties”**

The “roaring twenties” saw boom times in Canada. Unemployment was low; corporate profits rose to unprecedented levels. But prosperity came to an abrupt halt with drought in the West followed by the stock market collapse in New York, Toronto, Montreal and around the world in October 1929. The crash set off a chain of events that plunged Canada and the world into a decade-long depression. It was the beginning of the “dirty thirties.”<sup>39</sup>

The Great Depression placed an almost insurmountable strain on the commercial activities of Canadian business. Prices deflated rapidly and deeply. Business activity fell sharply. There was massive unemployment—27 per cent at the height of the Depression in 1933. Many businesses were swiftly wiped out: in Canada, corporate profits of \$396 million in 1929 became corporate losses of \$98 million in 1933. Between 1929 and that year, the gross national product dropped 43 per cent. Governments around the world, including Canada’s, put up high tariffs to protect their domestic manufacturers and businesses, which ultimately weakened demand and exacerbated the economic contraction. Canadian exports shrank by 50 per cent from 1929 to 1933.<sup>40</sup> It was, in short, a tumultuous decade that would have seismic implications for the business-government relationship in Canada.

<sup>38</sup> See Gustavus Myers, *History of Canadian Wealth*, (New York: Argosy-Antiquarian Limited, 1914).

<sup>39</sup> See Blair Neatby, *The Politics of Chaos: Canada in the Thirties*, (Toronto: MacMillan of Canada, 1972).

<sup>40</sup> See Michael Hart, *A Trading Nation: Canadian Trade Policy from Colonialism to Globalization*, (Toronto and Vancouver: UBC Press, 2002), 105-108.

As lawmakers struggled to find a panacea to solve the country's economic woes, Canadian business came increasingly under attack. The Co-operative Commonwealth Federation (CCF), a political coalition of progressives, socialists, and labour forces, emerged on the national scene in 1932, committed to the eradication of capitalism.<sup>41</sup> While the CCF became the most vocal opponent of free-market capitalism and its business exponents, the economic instability of the 1930s greatly undermined the general credibility of the business class. Even its traditional political partners – the Liberals and to a lesser extent, the Conservatives – seemed less inclined to bow to the policy demands of Canadian business. In this chaotic political environment, its voice diminished under the weight of dissenting cries for economic and social reform. Faced with an increasingly hostile populace and their own staggering financial losses, the captains of industry huddled together in collective fear. For the first time, their future seemed eerily uncertain.

### **Business and the “Minister of Everything”**

After a decade of depression-induced lassitude, the war years are often characterized as the high age of the business-government relationship in Canada.<sup>42</sup> When Canada declared war on Germany on 10 September 1939, its armed forces were small, poorly equipped and for the most part unprepared for war. The Canadian industrial economy was equally ill-prepared for broad military mobilization. In the first six months of the war effort, Canadian engagement was limited; its military contribution confined to

<sup>41</sup> For a comprehensive examination of the CCF, see W.D. Young, *The Anatomy of a Party: The National CCF, 1932-1961*, (Toronto: University of Toronto Press, 1969); and Michiel Horn, *The League of Social Reconstruction: Intellectual Origins of the Democratic Left in Canada, 1930-1942*, (Toronto: University of Toronto Press, 1980).

<sup>42</sup> See Peter C. Newman, *The Canadian Establishment Volume One*, (Toronto: McClelland and Stewart, 1975); and Bliss, *Northern Enterprise*.

commonwealth air training and procurement. On 8 April 1940, however, as the Nazi troops advanced into France, Denmark and Norway, the Canadian government's hopes of a "limited liability" war were dashed. In an emergency parliamentary session, the *Department of Munitions and Supply Act* was swiftly passed and Clarence Decatur Howe was sworn in as the new department's minister. His mandate, as Peter Newman notes, "was to mobilize and expand the country's minuscule manufacturing sector to produce not only the materials and supplies required by Canada's armed forces but also the goods to fulfill the contracts beginning to pour in from allied nations."<sup>43</sup> To achieve this ambitious objective, Howe, Mackenzie King's most dynamic and powerful minister, turned to the leaders of private industry to rationalize the Canadian economy and to bring a measure of efficiency to the Canadian war effort. "Dollar-a-year" men, like E.P. Taylor and George Montague Black, were duly summoned to Ottawa to oversee wartime production. As his biographers Robert Bothwell and William Kilbourn note, "Millionaires were Howe's lieutenants – indispensable men through whom he worked to safeguard the national prosperity and build a stronger country."<sup>44</sup> Their collective contribution to the war effort, under the ubiquitous hand of Howe, was immeasurable. In a remarkably short period of time, Howe and his private sector coterie transformed the Canadian economy and revolutionized the Canadian forces. By the war's triumphant conclusion, Canadian mobilization had exceeded all expectations.<sup>45</sup> These businessmen on lend-lease to Ottawa

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<sup>43</sup> Newman, *Canadian Establishment*, 364

<sup>44</sup> Robert Bothwell and William Kilbourn, *C.D. Howe: A Biography*, (Toronto: McClelland and Stewart, 1979), 262

<sup>45</sup> In World War II, Canada put 1.1 million men and women in uniform between 1939 and 1945, or 10 per cent of its population. According to Granatstein, "the dominion sent what became the world's third largest navy to sea and fought the Battle of the Atlantic; raised the fourth largest air force, which attacked the enemy homeland and flew on every continent; and created the First Canadian Army of five divisions and two additional armoured brigades, which battled in Sicily, Italy, and France and liberated the Low Countries. At the same time, Canada produced huge quantities of goods from its fields and factories for the

were hardly an echo of the hardy old captains of industry who had dominated pre-depression Canadian growth. They were instead pragmatists who were willing to share the science of economic growth with the state; they ultimately trusted private enterprise but they were at the same time savvy enough to accord the state a role in the process. Profits were to be made, but in a world of regulation, rationing and state ownership. Keynes had entered the boardrooms of Canada.

The implications of this highly successful business-government arrangement were far-reaching. In the immediate post-war era, Howe and his dollar-a-year men came to symbolize the symbiotic relationship between business and government in Canada. After the war, Howe emerged as the most powerful man in Ottawa, first as the minister of reconstruction, and then as the minister of international trade.<sup>46</sup> The businessmen who had temporarily left their successful enterprises to offer their managerial expertise to the war effort returned to the private sector to tend to their newly-redefined business affairs. But, with “the minister of everything” simply a phone call or a luncheon at Ottawa’s prestigious Rideau Club away, the “age of Howe seemed a golden age of business-government relations, when there was a real businessman with real power in Ottawa, a businessman who knew what Canada needed.”<sup>47</sup> For the subsequent fifteen years, this durable relationship between Howe and the country’s captains of industry provided the functional underpinnings of the post-war economic boom. As Bothwell and Kilbourn acutely note, “Howe was a man who understood and appreciated businessmen, knew their

war effort and gave billions of dollars to its allies.” See J.L. Granatstein, *Who Killed the Canadian Military?*, (Toronto: HarperCollins, 2004), 4.

<sup>46</sup> “It is not easy to realize what a great influence Howe was able to exercise over national initiatives during his twenty-two years in public service,” Newman observes. “Most of his policies – until the mid-fifties – were looked on as something close to God’s own truth.” See Newman, *The Canadian Establishment*, 370-371.

<sup>47</sup> Bliss, *Northern Enterprise*, 446

language, asked their opinions, shared their values. Under his leadership and patronage, Canada became a ‘businessmen’s country.’”<sup>48</sup> While his government may have introduced some irksome social welfare measures, such as national unemployment insurance in 1940 and collective bargaining rights in 1944, the business class was wholly confident that, with the strong-willed Howe protecting its interests in cabinet, the Canadian state would remain firmly committed to the principles of free enterprise and market liberalism, a relationship now couched in the context of a partner state. And indeed it did.<sup>49</sup>

During the post-war economic boom, Howe, through the sheer force of his powerful personality, oversaw Canada’s rapid development into an industrial-based, economic world power. He became, in the words of Newman, “the founder of modern, industrialized, Americanized Canada.”<sup>50</sup> For their part, the Canadian business elite cultivated a closely interconnected relationship with the Liberal Party – the natural governing party of Canada – that was based not on any elaborate institutional arrangements, but rather was cemented by extensive personal relationships and reinforced by Howe’s “visible hand.”<sup>51</sup> This powerful synergy between the federal Liberals and the businesss class, which came to dominate the Canadian political landscape, seemed remarkably cohesive and mutually trusting.<sup>52</sup>

Only a political crisis in 1956 – brought about by a controversial policy decision and Howe’s palpable disdain for parliamentary authority – could precipitate its demise.

<sup>48</sup> Bothwell and Kilbourn, 261

<sup>49</sup> As Bothwell and Kilbourn note, “Howe saw no contradiction in his role; it was his job to enforce the public interest and the public interest was, ultimately, business’s interests.” See Ibid., 262.

<sup>50</sup> Newman, *The Canadian Establishment*, 370

<sup>51</sup> Bliss, *Northern Enterprise*, 446

<sup>52</sup> See Reginald Whitaker, *The Government Party: Organizing and Financing the Liberal Party of Canada, 1930-1958*, (Toronto: University of Toronto Press, 1979).

After the government announced the construction of a natural gas pipeline from Alberta to central Canada by an American consortium, the consequent parliamentary debate evolved into a damning indictment of Liberal arrogance and its unholy alliance with U.S. business interests. When the opposition parties delayed the facilitating legislation in the House of Commons, Howe provoked widespread resentment by imposing closure on the debate. It was an untimely procedural move that seemed at best, an overreaction, and at worst, alarmingly undemocratic. While the pipeline initiative was secured, Howe's image, and that of his government, was mortally wounded.<sup>53</sup> In the subsequent 1957 general election campaign, the Liberal Party, faced with fresh charges of institutional arrogance and epidemic cronyism, was shockingly defeated. The Liberal hegemony that had been personified by Howe for over two decades was officially over.

The stunning defeat of the Liberal Party and the election of the Progressive Conservatives, led by the irreverent and unpredictable John Diefenbaker, left the business class in a collective stupor. Without a powerful confere like Howe in cabinet, Ottawa suddenly became a daunting and spectral place.<sup>54</sup> There would be no more insouciant luncheons at the Rideau Club; no more secret briefings in cozy ministerial offices; and certainly no more special treatment for businessmen on Parliament Hill. Indeed, the symbiotic relationship between business and government in Canada was shattered. Diefenbaker's impetuous decision to cancel production of the Avro Arrow in 1959 not only bruised Canadian nationalism but it also unsteadied big business's trust in Ottawa's regard for its interests. The next two decades would be marked by mutual suspicion and

<sup>53</sup> For a further examination of the infamous Pipeline debate, see William Kilbourn, *Pipeline*, (Toronto: Clarke, Irwin, 1970).

<sup>54</sup> "His ghost haunted business and government for decades: businessmen yearned for a reincarnation of Howe," Bliss observes." See Bliss, *Northern Enterprise*, 446.

troubling enmity. Pierre Trudeau's arrival at 24 Sussex in 1968 did nothing to restore the once solid friendship of business and government.

These early examples of business-government relations in Canada demonstrate the strengths and weaknesses of Canadian business as an institutional lobby. Although business was at times still highly organized and able to exert significant influence on governmental policy, a fundamental fault line was beginning to surface. As the national economy matured and diversified, the monolithic nature of the Canadian business community also underwent a change. The dominant position of central Canadian businessmen, for instance, was now challenged by upstart regional mass-agriculturalists and entrepreneurs, who coveted access to the profitable American market. The emergence of the Grain Growers' Grain Company in the west provides one good example of this trend. While business could clearly unite temporarily to protect its broadly-construed vested interests, such as an aversion to high taxes and heavy regulation, the days of a homogenous business community – marked by a collective opposition to American competition – were over. The structure of business and government was simpler in those halcyon days of the National Policy and the amount of government intervention in and regulation of the economy was relatively minimal. However, the twentieth century brought a more interventionist state and a proliferation of interest groups. Farmers found a class consciousness in the new century and soon formed political parties and championed commercial alternatives to capitalism like the cooperative movement. Workers similarly found strength in unionization and national organizations like the Canadian Labour Congress. The early years of the welfare state also witnessed an increasingly assertive federal government. Influenced by the Keynesian

theory of governmental stimuli and notions of social justice and welfare, the federal government began to intervene in the lives of Canadians in an unprecedented way. The idyllic world of government and business cooperation that had existed during Canada's early economic and political development began to crumble. In this new environment of competing interests and an expanding state, the lobbying efforts of business were increasingly limited by its lack of cohesion and leadership. The older bipolar world of scripted business-government relations was now transformed into a much more crowded world of vying interest groups.

### **Business as an Interest Group**

In the academic field of political science, a dense collection of theoretical literature exists on the organization and the activities of interest groups.<sup>55</sup> However, as Clark noted in 1939, the interest group, "which has been subjected to congressional and academic scrutiny of a searching nature in the United States, has escaped any serious investigation in this country."<sup>56</sup> He and others attributed this lack of academic inquiry in Canada to the difference in the nature of government in the two countries. The American presidential system of government is built on a foundation of decentralization and congressional autonomy. "The weakness of parties in Congress," he asserts, "has resulted in a considerable shift of legislative leadership to voluntary associations, while the freedom from central control of party organizations in electoral districts has provided

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<sup>55</sup> See John C. Pierce, *Citizens, Political Communication and Interest Groups: Environmental Organizations in Canada and the USA*, (New York, NY: Praeger Publishers, 1992); Ian Brodie, *Friends of the Court: The Privileging of Interest Groups Litigants in Canada*, (Albany, NY: State University of New York Press, 2002); Gene M. Grossman and Elhanan Helpman, *Special Interest Politics*, (Cambridge, MA: MIT Press, 2001); and Randolph Sloof, *Game-Theoretic Model of Political Influence of Interest Groups*, (Norwell, MA: Kluwar Academic Publishers, 2001).

<sup>56</sup> Clark, xi

a great deal of scope for these associations in election campaigns.”<sup>57</sup> To this day, Washington is a political city laid siege by lobbyists – the infamous “Beltway bandits” who seek influence in Congress for causes as varied as environmentalism and protectionism. Canada’s parliamentary system, by contrast, is highly-centralized and functions on the principle of party discipline in the legislature. “As a result,” he concludes, “interest groups have had to play a more restricted role.” The strict system of party obedience practiced in Canada was, in his opinion, essentially impenetrable. The nature of Canada’s governmental structure, therefore, had traditionally weakened the ability of interest groups to have much of an impact on the legislative agenda of government. In Washington, the business lobbyist must knock on hundreds of doors; in Ottawa, most lobbyists beat a single path to the door of a cabinet minister.

In subsequent years, interest group activities in Canada have received greater academic attention. While most observers would agree with Clark – Canada’s governmental structure has compelled Canadian interest groups to adopt lobbying techniques distinctive from American ones – few would argue that it has significantly hampered their ability to influence government policy. To the contrary, the highly centralized structure of government has, to a certain degree, allowed Canadian lobbyists to concentrate their activities. Political scientist Charles Mack observes that in a parliamentary system, interest groups tend to direct their lobbying efforts to the cabinet and senior members of the bureaucracy rather than on individual members of Parliament.<sup>58</sup> The cabinet collectively formulates government policy and decides what legislation may be introduced in parliament. Accordingly, Canadian interest groups

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<sup>57</sup> Ibid.

<sup>58</sup> Charles S. Mack, *Business, Politics, and the Practice of Government Relations*, (Westport, Connecticut: Quorum Books, 1997), 144-45

generally focus little attention on general legislators or parliamentary committees and, instead, orient their lobbying efforts towards the cabinet and senior bureaucracy. Political scientist Reg Whitaker has, for instance, carried this argument to a Marxist extreme. The state has become so blended into the interests of the business bourgeoisie that Canada came to be governed by a “government party” – the Liberals – who devoutly reflected the principles of the national business class.<sup>59</sup> Although the lobbying methods exercised by Canadian interest groups differ from their American counterparts, there are some universal traits these groups share.

In his book, *Group Politics and Public Policy*, Paul Pross offers a succinct list of characteristics exhibited by most interest groups. First, he aptly defines pressure groups as “organizations whose members act together to influence public policy in order to promote their common interest.”<sup>60</sup> The general purpose of such organizations is to persuade the state to pursue public policies conducive to their respective interests. Indeed, their persuasion tactics can take many forms. “Most groups,” he writes, “hope that the force of logical and well-prepared arguments will be sufficient to convince reluctant ministers and skeptical bureaucrats to adopt their proposals.” Failing that, some groups “look to an aroused public to persuade government of the errors of its ways.” Another characteristic and one most closely linked to the success of the interest group is its organizational structure. “These activities require organization,” he explains, “and it is the quality of organization that distinguishes [interest groups] from the mob and the movement.”<sup>61</sup> Organization – the efficient association of individuals within a formal structure – is fundamental to the effectiveness of an interest group. Indeed, American

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<sup>59</sup> See Whitaker, *The Government Party*.

<sup>60</sup> Pross, 3

<sup>61</sup> Ibid.

historians, like Robert Wiebe, have often subscribed to what is called the “organizational school,” a school that argues that the spoils in a modern democratic society go to the best and most cohesively organized.<sup>62</sup> Without some system of centralized coordination, an interest group is likely unable to articulate coherent policy objectives. Lastly, interest groups are marked by their desire to influence those who hold power rather than to exercise the responsibility of government. In a discernible contrast to a political party, an interest group, according to Pross, focuses on the special interests of a few, “a restricted role that permits [it] to complement rather than to rival political parties in the process of political communication.”<sup>63</sup> These defining characteristics are shared by interest groups across the economic, political and social spectrum.

Led by the CMA, Canadian business increasingly structured itself into sectoral organizations to protect and advance their interests in the twentieth century. New groups, such as the Canadian Federation of Independent Business in 1971, emerged to provide a voice for the independent business sector in the public arena. Others, like le Conseil du patronat du Québec, which was created in 1969, professed to speak on the behalf of fledgling regional industries in the spirit of the Quiet Revolution. Nevertheless, all the business-oriented groups that surfaced during the post-World War II period embodied additional characteristics that differentiated them from other public interest institutions. While some issue-centred groups, for example, are forced to resort to overt pressure strategies – such as publicity, confrontation, and litigation – a business interest association is more likely to use more discrete tactics of consultation and cooperation to achieve its objective. Further, business tends to be better developed organizationally and

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<sup>62</sup> See Robert Wiebe, *The Search for Order, 1877-1920*, (New York: Hill and Wang, 1967); and Samuel P. Hayes, *The Response to Industrialization, 1885-1914*, (Chicago: University of Chicago Press, 1957).

<sup>63</sup> Pross, 4

to “have more extensive membership participation in policy-making than public-interest groups.”<sup>64</sup> Despite its organizational superiority and economic clout, business has also encountered unique difficulties within its interest group institutions. “A persistent, if sporadic problem for business,” political scientist Paul Malvern points out, “has been a lack of lobbying coordination among companies and associations on particular issues. The most obvious cause has been a conflict of interests and therefore of positions.”<sup>65</sup> Put simply, the interest group sector that comprises the business community is perhaps the largest and most complex of all. In a large, diverse country like Canada, the cohesiveness of “business” is often jeopardized by Canada’s limited identities. For these reasons, the Canadian business community, especially in the post-World War II era, struggled to manage the diversity of its members and their interests.

Like Canada, the business community wrestled with unity in the twentieth century. The country’s unique economic structure – fundamentally shaped by substantial foreign ownership and regionality – led to the fragmentation of business interests, particularly in the second half of the century. Regional inequality – the tension between the Alberta oil patch and the beleaguered fortunes of central Canadian manufacturing, for instance, in the late century – have made it difficult for “business” to speak with one authoritative voice. This lack of homogeneity was reflected in the proliferation of private sector groups all claiming to represent the interests of Canadian business. As business columnist Ronald Anderson observed in 1977, “there are now more than a dozen influential bodies that profess to speak for all or important sectors of the Canadian

<sup>64</sup> Ibid., 90

<sup>65</sup> Paul Malvern, *Persuaders: Influence Peddling, Lobbying and Political Corruption in Canada*, (Toronto: Methuen, 1985), 16

business community.”<sup>66</sup> From the Canadian Chamber of Commerce to the Canadian Bankers’ Association, a plethora of business organizations entered the Canadian public policy forum in the twentieth century, splintering the voice of business and exacerbating divisions within the community.<sup>67</sup> In the absence of a united business community, other interest groups rose to positions of influence in Canada in the second half of the twentieth century. More and more, the question is raised: who speaks for business? And, after 1957, there were no C.D. Howes to orchestrate the situation.

### **Business and the New Nationalism**

The consequences of business disunity irrevocably surfaced in the 1960s. Prevailing notions of Canadian nationalism, social justice, and, by extension, activist government, marked the decade, a pivotal one in the business-government relationship. For the business community, the Pearson government of the mid-decade served to reveal the fragmented sense of national well-being as seen from Bay and St. James Street. For instance, the actions of Pearson’s finance minister, Walter Gordon, found a decidedly mixed reaction in the business community – some saw advantage in Gordon’s efforts to squeeze foreign participation in the Canadian economy; others, attached to foreign-controlled sectors of economy, saw Gordon’s policies (such as his infamous take-over tax) as a travesty.<sup>68</sup> Business’s fragmentation continued in the Trudeau years. Similar lofty ideals and their consequent outcomes manifested themselves in the character of Pierre Elliott Trudeau, who entered federal politics in 1965 and became prime minister three years later. In many ways, Trudeau broke the mold of traditional political

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<sup>66</sup> Ronald Anderson, “Business Voices,” *Globe and Mail*, (Toronto: Apr. 6, 1977), B2

<sup>67</sup> By 1985, there were over 300 trade or professional associations in Ottawa trying to lobby the government in one way or another. See Linda McQuaig, “Big Business’ Soft-Talking Lobbyist,” *Report on Business Magazine*, (March 1985), 70.

<sup>68</sup> See Walter Gordon, *A Choice for Canada*, (Toronto: McClelland and Stewart, 1966).

leadership in Canada. The ethos of the old “government party” began to evaporate. Most notably, he was ambivalent towards free-market capitalism and disengaged from Canada’s business elite. “His promise of a ‘just society’,” write political scientists Stephen Clarkson and Tim Lewis, “was clearly premised on the belief that state action was necessary if social justice was to prevail over the inequities caused by laissez-faire capitalism.”<sup>69</sup> Throughout his prime ministership, Trudeau consistently challenged the traditional business orthodoxy on economic and financial matters. As his National Energy Program would demonstrate, Trudeau soon found himself at war with certain regional and sectoral interests in the business community. He was aided in this endeavour, albeit inadvertently, by the lack of cohesion within the business community and the emergence of a powerful nationalist movement, which defined the national interest in distinctly un-National Policy ways.

At the height of the country’s centennial celebrations, Canadian nationalism swelled and began to reexamine its fundamental beliefs. During this period of mounting nationalist ferment and debate, elements of the movement became increasingly alarmed at what they perceived to be the growing Americanization of Canada. They sought, in particular, to reverse the trend of foreign ownership in the economy. Indeed, this nationalist sentiment was not cultivated in a vacuum. Laurentian University historian Stephen Azzi has effectively demonstrated that growing Canadian disenchantment with the American involvement in the Vietnam War and a series of internal crises in the

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<sup>69</sup> Stephen Clarkson and Tim Lewis, “The Contested State: Canada in the Post-Cold War, Post-Keynesian, Post-Fordist, Post-National Era,” in Leslie Pal (ed.) *How Ottawa Spends 1999-2000: Shape-Shifting: Canadian Government Toward the Twenty-First Century*, (Toronto: Oxford University Press, 1999), 304

United States manifested itself in a formidable movement committed to Canada's economic sovereignty.<sup>70</sup>

For much of the century, American capital had freely flowed into the Canadian economy and in many ways helped to fulfill the ambitions of the National Policy. Successive Canadian governments sought to encourage substantial foreign investment for the purpose of further developing the country's manufacturing and resources sectors. 'There have been virtually no general restriction or even government administrative processes to impede new investors,' political scientist John Fayerweather noted in a 1974 book. 'Until the mid-fifties, the general tenor of Canadian attitudes was to encourage maximum inflows of foreign capital.'<sup>71</sup> Business in Canada largely acted as a willing handmaiden of this process. Indeed, large segments of the "Canadian" business community wore cloth of a foreign origin. In the ensuing years, however, nationalists – stirred by new sensibilities – increasingly probed the negative consequences of the branch plant nature of the Canadian economy.<sup>72</sup> The process was likely triggered by the mild nationalist prescriptions of the 1957 report of the Royal Commission on Canada's Economic Prospects, a commission by Walter Gordon.<sup>73</sup> By the late 1960s, the nationalist forces, led by Gordon and left-wing economist Melville Watkins, lobbied the government

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<sup>70</sup> See Stephen Azzi, *Walter Gordon and the Rise of Canadian Nationalism*, (Montreal and Kingston: McGill-Queen's University Press, 1999); and Azzi, "Foreign Investment and the Paradox of Economic Nationalism," In Adam Chapnick and Norman Hillmer (ed.)*Canadas of the Mind: The Making and Unmaking of Canadian Nationalism in the Twentieth Century*, (Montreal and Kingston: McGill-Queen's University Press, 2007), 63-88.

<sup>71</sup> John Fayerweather, *Foreign Investment in Canada: Prospects for a National Policy*, (Toronto: Oxford University Press, 1974), 8

<sup>72</sup> Throughout the twentieth century, American firms established Canadian subsidiaries primarily to sell goods and services in the Canadian market. For an account of the development of the branch plant economy in Canada, see Bruce Muirhead, *Development of Postwar Canadian Trade Policy: The Failure of the Anglo-European Option*, (Kingston and Montreal: McGill-Queen's University Press, 1992).

<sup>73</sup> See Government of Canada, *Final Report*, (Ottawa: Royal Commission on Canada's Economic Prospects, 1957).

to place significant restrictions on foreign-owned firms operating in Canada and on new foreign direct investment in the country.<sup>74</sup>

After years of shared consensus and values with mainstream Canadian business on the part of the federal government, the government of Prime Minister Trudeau inherited a political time bomb. In the intervening years, the nationalist movement had developed into a sizeable constituency that the federal government simply could not overlook. In short, the era of C.D. Howe was over. Canadian business, moreover, was greatly divided over the foreign investment question. Theoretically, the business community was generally opposed to government intervention in the economy; such was overwhelmingly viewed as an explicit threat to the free-market system. Earle McLaughlin, the outspoken president of the Royal Bank of Canada, for example, bluntly characterized the nationalist demands for greater domestic ownership as “utter nonsense.”<sup>75</sup> In practice, however, some Canadian-owned businesses like the protectionists of the Macdonald-Laurier era saw benefit to restrictions on foreign firms, and international competition. Without a cohesive message, the business community’s attempts to suppress the tide of economic nationalism were futile. On 27 November 1973, after years of controversy and months of debate, the House of Commons passed the *Foreign Investment Review Act* (FIRA). The legislation, which outlined a procedural review process designed to screen foreign investment in Canada, reflected a fundamental change in the government’s historic policy vis-à-vis foreign investment and foreign involvement in the domestic economy. FIRA also demonstrated fissures in the business community: within “big business” some, such

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<sup>74</sup> See Government of Canada, *Foreign Ownership and the Structure of Canadian Industry*, (Ottawa: Privy Council Office, 1968).

<sup>75</sup> Earle McLaughlin, “Testimony to the House of Commons Standing Committee on External Affairs and National Defence,” (Ottawa: Department of External Affairs and Department of National Defence, Feb. 15, 1970), 15:34.

as Canadian-owned firms, favoured it; and others, namely foreign-controlled firms like Imperial Oil Limited, detested it. Small Canadian business generally saw it as an opportunity to erect a national fence around their market. While most contemporary observers now agree that FIRA was never a great obstacle to foreign investment in Canada, its enactment, along with the implementation of other interventionist measures during the Trudeau years, exemplified the fact that historically-cohesive business-government relations were over.<sup>76</sup> If business, especially “big business,” was to reassert itself as the dominant interest group in the Canadian public policy forum, a new structure for projecting its interests was needed – one that effectively engaged government with a new degree of cohesion, a cohesion that overrode the business community’s fractiousness. The stage was set for the birth of the Business Council on National Issues.

### **The Business Council on National Issues**

The Business Council on National Issues (BCNI) can trace its roots back to this era of deteriorating business-government relations. It was established, according to sociologists William Carroll and Murray Shaw, “to address concerns that the corporate elite had no organization that could represent its broad range of interest as a coherent hegemonic project.”<sup>77</sup> Founded in 1976, the Council was the product of a growing unease within an elite faction of the business class with Canada’s economic and political direction. With a membership base comprised exclusively of blue ribbon firms, the Council sought to amplify the voice of Canada’s “big business” sector. As one of its first

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<sup>76</sup> Over the course of his prime ministership, Trudeau’s distrust of free-market capitalism was manifested in a series of economic policies –Petro-Canada, the Anti-Inflation Board and the National Energy Policy, for instance – that sought to harness market forces and to limit foreign involvement in the economy. For an account of Trudeau’s economic, fiscal and trade policies, see James Brander, *Government Policy Towards Business*, (Toronto: Jon Wiley & Sons, 1995).

<sup>77</sup> William K. Carroll and Murray Shaw, “Consolidating a Neoliberal Policy Bloc in Canada, 1976 to 1996,” *Canadian Public Policy Volume XXVII (2)*, (June 2001), 200

co-chairman noted, “The BCNI was formed out of a sense of frustration that there was no voice for the business community that was being listened to in a serious way.”<sup>78</sup> Hence, the BCNI was conceived to effectively segregate big business from the broader business community. In doing so, it pioneered a new business-government paradigm – one that consciously abandoned the old instrumentality of the CMA. Indeed, such a unique birthright endowed the Council with an unprecedented degree of cohesion and concurrence.

Still, the BCNI has, to date, received limited academic attention. As is often the case in the neglected field of business history, it is Canadian journalists who have been responsible for the great bulk of commentary concerning the much-maligned and oft-misunderstood business organization. These works – produced by well-known writers such as Linda McQuaig and Peter C. Newman – have tended to be critical in tone and subjective in nature, often reflecting a deep-rooted populist animus against the “hidden power” of big business. Moreover, it has been uncommon to place the origins of the Council and its distinctive mandate and structure in the context of the evolving relationship between business and government in the second half of the twentieth century. There has been a tendency, perhaps due to ideological predispositions, dating back to turn-of-the-twentieth century attacks on the power of big business, to view the Council as a subversive organization that has orchestrated a surreptitious “coup d’etat [over the] country’s economic governance.”<sup>79</sup> All too often, the motivation and exercise of corporate ambition in Canada has been instilled in a world of stereotypical

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<sup>78</sup> David Langille, “The BCNI and the Canadian State,” *Studies in Political Economy* V. 24, (Autumn 1987), 48

<sup>79</sup> Peter C. Newman, *Titans: How the New Canadian Establishment Seized Power* Volume Three, (Toronto: Viking Books, 1998), 154; and Tony Clarke, *Silent Coup: Confronting the Big Business Takeover of Canada*, (Toronto: James Lorimer & Company Limited, 1997).

assumptions.<sup>80</sup> Beyond such stereotypes, few have examined, in any detail, the BCNI's in-house policy development process and its uncanny ability to forge internal consensus among its members on key policy issues. Therefore, it is clear that a new approach is desperately needed – one that casts light, in an analytical and objective manner, on the internal dynamic of the Business Council on National Issues.

While most critics have portrayed the BCNI as the lobbying vehicle of a corporate hegemony, few have underestimated its effectiveness or influence. “Operating through...the BCNI,” Newman rightly observes, “its members have become a coherent instrument of political power.”<sup>81</sup> The source of the Council’s sway, however, has been debated. To some, the BCNI derives its power from the unrivaled financial clout of its impressive, deep-pocketed membership, a kind of modern-day iteration of the “Toronto 18.” As Doern and Tomlin explain, the Council “quickly established a privileged position among business interests groups, primarily because it was composed of CEOs of Canada’s biggest multinational and Canadian firms.”<sup>82</sup> Most, however, agree that a more nuanced explanation is fitting. That is, while the sheer productive proportion of the Canadian economy the Council represents would, without question, “command the attention of any government,” its power largely lies in its unique approach and its dynamic president and chief executive officer, Thomas d’Aquino.<sup>83</sup> The BCNI is thus the product of size, style and strategy. Indeed, it is in their illumination of the BCNI’s novel approach to managing business-government relations and their biographical sketches of

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<sup>80</sup> See Myers, *A History of Canadian Wealth*.

<sup>81</sup> Newman, *Titans*, 162

<sup>82</sup> Bruce Doern and Brian Tomlin, *Faith and Fear*, (Toronto: Stoddart Publishing, 1991), 46

<sup>83</sup> McQuaig, “Big Business’ Soft-Talking Lobbyist,” 68

its president, that journalists have made their most useful contribution to our understanding of the BCNI.

In 1976, the Council was founded by Alfred Powis, the president and chief executive officer of Noranda Mines Limited, and W.O. Twaits, the former chief executive of Imperial Oil Limited. Sensing a breakdown in the historical relationship between business and government, they sought to create a new business organization that would address the problem of business disunity and strengthen the position of the Canadian big business sector vis-à-vis government. As the organization's co-chairmen, Powis and Twaits presided over the initial 93-name membership list that read like a business "Who's Who" and covered every major segment of the economy. While the BCNI reflected a continuation of traditional business lobbying, it differed dramatically in its structure, its limited membership and, indeed, in its amicable approach. "Up to that point," David Langille notes, "Canadian business interests had appeared capable of only reacting negatively and after the fact to government policies and programs."<sup>84</sup> Influenced by the model of the Business Roundtable in the United States, the BCNI was comprised exclusively of chief executive officers of the country's largest corporations.<sup>85</sup> "The BCNI was the voice of big boys," Paul Malvern flippantly points out. "You won't find a neighbourhood grocer or gas station owner in the bunch. There's nobody from your bowling league here."<sup>86</sup> In dedicating itself to the perspective of big business, the BCNI consciously broke the mould of the CMA; it did not pretend to voice the interests of *all*

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<sup>84</sup> Langille, 48

<sup>85</sup> According to Langille, "Roundtable members are able to wield substantial power behind the scenes because of their ready access to members of Congress and the executive branch. The quality of their research and their skill of their lobbying stands in marked contrast to the more visible and ham-handed approach of the US Chamber of Commerce." See *Ibid.*, 49.

<sup>86</sup> Malvern, 235

Canadian business, only its biggest players. Thus, it was able to avoid many of the historical problems other Canadian business organizations had faced – namely, the tremendous diversity of Canadian private enterprise, a diversity that produced a lack of cohesion and lucidity. By establishing a limited, yet powerful membership, the BCNI was able to approach the government of the day with an unparalleled degree of coherence and clout. While its counterparts elsewhere in the private sector continued to struggle to form consensus within their memberships, the BCNI was able to evade division and internal discord. Armed with such solidarity, the BCNI was also able to abandon business's old *reactive* approach to the formulation of public policy. Now it had the unity to allow it to act *proactively* in the public forum. Indeed, its strategic directive was clear:

We are creating a new force...one that will channel the ideas and the talents of Canada's senior business leaders...our objective is to help strengthen the country's economy, its social fabric, and its democratic institutions.<sup>87</sup>

With the mandate to represent the interests of Canada's big business sector, the BCNI set out to persuade the government to abandon or modify its activist inclinations and to implement a more market-oriented economic program in concordance with the commercial interests of its impressive membership.

Besides its important organizational differences, the BCNI also adopted a distinctive *modus operandi*. The Council's founders abandoned the adversarial approach that had characterized many of the existing business organizations and, which, from their perspective, had contributed to the widening dissonance between business and government. In its place, the BCNI proposed a partnership. "Strategically," journalists Elizabeth Benoit and James Gray write, "the BCNI's approach to government was to be

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<sup>87</sup> Its mandate is taken from Business Council on National Issues, 1976-1986, (Ottawa: BCNI, 1986), 1.

non-confrontational and constructive.”<sup>88</sup> The 1970s have been characterized as a decade of technocratic policy making, a reflection, some have suggested, of Trudeau’s reason over emotion approach to governance. The BCNI (whose soon-to-be president in 1981, Thomas d’Aquino, had served as an aide in Trudeau’s office) positioned big business to participate in this deliberative approach to policy. It sought to establish a quiet, low key approach, addressing itself to national issues without engaging in the politics of confrontation or adopting a strenuous adversarial role. The Council was to be a dignified body, offering its views in an objective and non-partisan manner:

The Business Council is not a lobby group seeking to represent interests that have traditionally been associated with business. Rather the Council is dedicated to the fostering of public policies that will lead to a stronger economic and social fabric within a healthy democratic society. The Business Council believes that the interests of business and the interests of all Canadians are frequently parallel, and that a sound appreciation by the public and private sectors of one another’s perspective will benefit the country.<sup>89</sup>

In instances when the Council differed with the government on matters of policy, it tended to employ tact and less combative language. As Langille notes, “the BCNI keeps its big guns in the closet, preferring a ‘rifle’ rather than a ‘shotgun’ approach – zeroing in on specific items rather than issuing the sort of blanket condemnation that would lessen their chance of achieving the modifications which could be secured by reasonable arguments.” To some, the BCNI’s approach did not reflect a substantive departure from the organizations of the past, but rather was a manifestation of its subversive nature and “some clever repackaging.”<sup>90</sup> In the opinion of McQuaig, for instance, the Council had

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<sup>88</sup> Elizabeth Benoit and James Gray, “King of Lobbyists,” *Ottawa Business Life*, (May/June 1988), 25

<sup>89</sup> This mission statement is taken from BCNI, National Priorities: A Submission to the Royal Commission on the Economic Union and Development Prospects for Canada, Presented by Rowland C. Frazee, Chairman, and Thomas P. d’Aquino, President, 12 December 1983, 22 and Langille, 53.

<sup>90</sup> McQuaig, *The Quick and the Dead*, 96

simply “learned to say ‘gimme, gimme, gimme’ with far more panache.”<sup>91</sup> McQuaig’s populist simplicity belies a more sophisticated reading of the world of policy making by the BCNI’s progenitors – policy was about shaping consensus, not belligerent protest. To most, however, it was clear that the BCNI appeared to engage the federal government with a new degree of professionalism and sophistication and most attributed this new approach to the Council’s stylish and well-connected President.

Few contest that Thomas d’Aquino represents a new type of business lobbyist. Well-educated, cultured and impeccably dressed, d’Aquino quickly “became one of Canada’s most influential unelected power brokers.”<sup>92</sup> Peter C. Newman has, in fact, declared him “the most powerful influence on public policy formation in Canadian history.”<sup>93</sup> Although his political influence was inextricably linked to the corporate clout of the organization he represented, most observers concur that his dynamism was unmistakable. Benoit and Gray describe d’Aquino in the following fulsome manner:

A self-professed economic internationalist and political nationalist, d’Aquino was obviously typecast for his current role as the unbridled champion of big business. Tall, clean and affable, he strides into a room with an air that exudes all the grace of a self-assured professional. Once in conversation, his thoughts are fired out in a measured cadence so quick and clever, so earnest, only the hand claps he effects for emphasis break his listener’s trance. D’Aquino’s enthusiasm for his message seems absolute; it reflects a fervent, almost evangelical conviction as seductive as it is eloquent.<sup>94</sup>

Newman sums up it much more succinctly: “He is not your average lobbyist.”<sup>95</sup> Even McQuaig, a staunch critic of the Council’s market-oriented agenda, concedes that “in d’Aquino’s agile hands business message seemed much smoother, more forward-

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<sup>91</sup> McQuaig, “Soft-Talking Lobbyist,” 68

<sup>92</sup> Doern and Tomlin, 218

<sup>93</sup> Newman, *Titans*, 162

<sup>94</sup> Benoit and James, 24

<sup>95</sup> Newman, *Titans*, 154

looking.”<sup>96</sup> In short, most agree that d’Aquino embodied the avant-garde nature of the BCNI. The Council, political scientist William Stanbury has argued, has become idiosyncratic.<sup>97</sup> That is, it has become a projection of its charismatic president, who, quite unlike the loud, back-slapping business lobbyists of yesteryear, “speaks three languages, plays the violin, and entertains with charm and élan.”<sup>98</sup> Under d’Aquino’s innovative leadership, all agree that the Council has effectively distinguished itself from the business organizations that preceded it.

### **The BCNI and Free Trade**

Given the BCNI’s founding mandate and approach to the process of shaping of public policy, its precedent-breaking disposition would be best exhibited over the course of the galvanizing free trade debates of the 1980s. Indeed, the Council is widely acknowledged to have been the key political actor that placed the free trade initiative on the political agenda. In their award-winning study of the free trade proceedings, public policy analysts Doern and Tomlin, for instance, credit the Council for “getting free trade on the national policy agenda.”<sup>99</sup> Although the issue of continental free trade irrevocably emerged in the middle of the decade, the BCNI began to delicately advance the policy interests of its members years earlier. As McQuaig notes, “the BCNI...set out on a marathon trek to win support for the idea of a comprehensive free trade deal, within their own organization, within business and government circles and, eventually, within the

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<sup>96</sup> McQuaig, *The Quick and the Dead*, 96

<sup>97</sup> “The heads of major trade associations, while acting as spokespeople for the association,” he writes, “can over time, with plenty of exposure and contacts with top policy makers, become the embodiment of that association. This has been the case for Tom d’Aquino of the BCNI.” See W.T. Stanbury, *Business-Government Relations in Canada: Grappling with Leviathan*, (Toronto: Methuen Publications, 1986), 199.

<sup>98</sup> Doern and Tomlin, 218

<sup>99</sup> *Ibid.*, 46

Canadian public.”<sup>100</sup> Even after both major political parties – the Liberals and the Progressive Conservatives – were impervious to d’Aquino’s overtures to champion trade liberalization in the 1984 general election, his resolve was unabated. After establishing a firm consensus internally, d’Aquino, according to Langille, “took a leading role, along with the Canadian Chamber of Commerce, in swinging the attitude of the Canadian business community away from its traditional protectionism, in favour of free trade with the United States.”<sup>101</sup> Gradually, the newly-elected Mulroney government became swayed. Its decision to pursue a comprehensive free trade agreement with the United States was, in part, a manifestation of the “largest and most powerful lobby effort in Canadian history.”<sup>102</sup> Indeed, as Langille notes, “the primary push for free trade with the U.S. ha[d] come from the BCNI.”<sup>103</sup> This thesis research seeks to demonstrate that Canada’s free trade experience in the 1980s was a reflection in large part of the BCNI’s original strategic mandate and the style of policy influence that it developed under the guidance of its president and its cohesive membership.

After a tentative free trade agreement was reached, the Council did not withdraw from the national stage. To the contrary, as Benoit and Gray point out, “Not only was the BCNI successful in convincing the Mulroney government [that] free trade was timely, it was also willing and able to assist in the administration of spreading the good word.”<sup>104</sup> Although the agreement was passed with ease in the House of Commons, Liberal Party leader John Turner – a vehement opponent of the agreement – publicly announced in August 1988 that he had instructed the Liberal-dominated Senate not to consider the

<sup>100</sup> McQuaig, *The Quick and the Dead*, 129

<sup>101</sup> Langille, 67

<sup>102</sup> Newman, *Titans*, 156

<sup>103</sup> Langille, 64

<sup>104</sup> Benoit and Gray, 35

implementation legislation until the Canadian people had been given the chance to vote on the issue.<sup>105</sup> Frustrated by the obstructionist tactics employed by the Liberals, but unable to circumvent the Senate, Prime Minister Mulroney was preordained to call a general election in 1988, “which served as the stage for a dramatic national referendum on free trade.”<sup>106</sup>

When the election writ was issued on 1 October 1988, the BCNI was prepared to systematically engage the Canadian voting public as a direct and indirect election participant. In the previous year, for example, the Canadian Alliance for Trade and Job Opportunity had been established at the directive of David Culver, the BCNI’s well-known chairman and, of course, d’Aquino, its messianic president. The Alliance, an umbrella group consisting largely of BCNI members, in the opinion of Doern and Tomlin, “provided a consistent ally for the beleaguered Mulroney government, even at those times when many in the business community thought it was in serious danger of fumbling its free trade initiative.”<sup>107</sup> In contrast, free trade opponents in the mold of the “new nationalists” of the 1960s, such as Melville Watkins, made emotional appeals to Canadians that centred on the themes of sovereignty and political independence. As in the 1960s and 1970s, elements of the business community once again clashed with nationalists over the country’s economic direction. However, this encounter was markedly different. This time around, under the leadership of the BCNI, free trade proponents within the business community, especially “big business,” which was already well-attuned to the world of globalized commerce, were remarkably united and effective

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<sup>105</sup> Stephen Clarkson, “The Liberals: Disoriented in Defeat” In Alan Frizzell, Jon H. Pammett and Anthony Westell, (ed.) *The Canadian General Election of 1988*, (Ottawa: Carleton University Press, 1989), 34

<sup>106</sup> Richard L. Barton, *Ties That Bind in Canadian-American Relations: Politics of News Discourse*, (Hillsdale: Lawrence Erlbaum Assoc., 1990), 126

<sup>107</sup> Doern and Tomlin, 125

in their publicity campaign. D'Aquino, in particular, seemed to represent, from the perspective of the nationalists, a new type of business combatant. He, in the words of Newman, “was everywhere, taking on all comers with his continentalist patter.”<sup>108</sup> He emerged as a “statesmanlike” spokesman for free trade who seemed to be always one step ahead of the anti-free trade forces. Despite their best efforts, the “spider web of groups from the arts, churches, farms, labour, native communities and feminist organizations which opposed the agreement” were, to put it simply, no match for the professionalism and *savoir faire* of the BCNI.<sup>109</sup>

Leaving nothing to chance, the Alliance undertook a massive advertising blitz in the final days of the campaign, including a four-page supplement that appeared in more than six million Canadian newspapers.<sup>110</sup> As Bliss notes, “the Conservatives benefited from lavish financing and a final all-out advertising blitz by the interested business groups.”<sup>111</sup> In the end, despite Turner’s strong debate performances, the Liberals were unable to compete with the well-oiled machine propelled by the Conservatives and their business allies. On 21 November 1988, the Conservatives won a second consecutive majority government, ensuring the passage of the FTA.

The free trade story, in the opinion of many, signified the emergence of the BCNI as Canada’s most powerful and effective interest group in Canada. “The pivotal domestic political event on the long road to the FTA,” Doern and Tomlin maintain, “was the embrace of free trade by the Canadian business community.”<sup>112</sup> After reversing the

<sup>108</sup> Newman, *Titans*, 156

<sup>109</sup> Michael Hart, Bill Dymond and Colin Robertson, *Decision at Midnight: Inside the Canada-U.S. Free Trade Negotiations*, (Vancouver: UBC Press, 1994), 245

<sup>110</sup> Stephen Azzi, “Debating Free Trade” *National Post*, (Ottawa: Jan. 14, 2006), A18

<sup>111</sup> Michael Bliss, *Right Honourable Men: The Descent of Canadian Politics from MacDonald to Mulroney*, (Toronto: HarperCollins Publishers Ltd., 1994), 295

<sup>112</sup> Doern and Tomlin, 46

Canadian business community's historical opposition to free trade, the BCNI and its private sector counterparts were able to transcend the long-standing problem of business disunity. Thus, the Council was free to exert its extensive financial and political clout to secure the passage of the free trade agreement. In short, its role in the free trade debate was threefold: it forged a cooperative relationship with like-minded elements within the domestic Canadian business community predicated on the belief that continental free trade was truly desirable for Canadian enterprise; it persuaded the Canadian government and general population of the necessity of a comprehensive free trade deal with the U.S.; and it generated interest among American political and economic elites in the benefits of the deal. As Benoit and Gray rightly conclude, "of all the successes the Council has achieved in influencing the public agenda, perhaps its greatest success has been that of the free trade deal with the U.S."<sup>113</sup> The BCNI had, under the deft leadership of d'Aquino, managed to contravene the stratified position of the broader business community vis-à-vis continental free trade and to ally itself with the pro-trade liberalization forces both in Canada and the United States. As a result, it could legitimately claim that the Council had made an important contribution to the enactment of the Canada-United States free trade agreement. This thesis acknowledges other causal factors in the crucial free trade negotiations, such as the role of pro-free trade provincial premiers and the Mulroney government's market-oriented disposition, but the window that it chooses for its examination is that of the BCNI, and the personal reflections of key figures in its membership.

In 1976, the Business Council on National Issues was founded to reverse the trend of business marginalization within the public policy sphere and to serve as a new

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<sup>113</sup> Benoit and Gray, 35.

mechanism that would more effectively advance the interests of an elite element with the increasingly fractious business community. In particular, the BCNI spoke on behalf of Canada's big business sector. Although the BCNI reflected a historical tradition of business lobbying, it was, in this sense, a truly a revolutionary organization. More cohesive and more exclusively dedicated to the interests of large corporations, the BCNI transformed the traditional business-government relationship during the 1970s and 1980s, decades in which most agree that Canada veered in the direction of a more globalized and less regulated national existence. Yet, as has been discussed, the Council has curiously received little academic attention.

In September 2006, the BCNI, now known as the Canadian Council of Chief Executives (CCCE), celebrated its thirtieth birthday. In addition, d'Aquino has served as its president and chief executive officer since 1981, and has publicly acknowledged his intention to retire in the near future. In the wake of reaching these two historical milestones, an analysis of the BCNI's origins and effectiveness as a business lobby has become increasingly more compelling. Thus, this thesis will, in broad terms, examine the genesis and historical evolution of the BCNI. In particular, it seeks to place the Council in the historical context of the increasingly deteriorating business-government relationship in Canada and to demonstrate how Prime Minister Trudeau's insensitivity to economic matters in general and to the growing alarm of the big business sector to this drift of affairs, contributed to the founding of the Council. This research also seeks to cast light on the BCNI's unique internal structure and membership. In this regard, it seeks to examine more closely the effectiveness of Tom d'Aquino, the Council's dominant president. Finally, it seeks to provide an analytical account of the BCNI's involvement in the free trade debate of

the 1980s as a case study of its mandate and method. Indeed, this study of the Council serves to extend our historical knowledge of how business lobbies have operated and to reveal the influence these groups have traditionally wielded in the formulation of public policy in Canada. In particular, the BCNI would seem to offer an example of a “new style” of Canadian business lobby – not one dedicated to an omnibus style of operation, but instead one deliberately dedicated to “big business’s interests.”

In this vein, this research has moved down two avenues. First, extensive primary source research within the BCNI has been undertaken, something hitherto off-limits to academic inquiry. The Council has generally been forthcoming and cooperative in this regard. While the material at the BCNI has served as the mother lode, this research has also utilized peripheral materials in other primary sources, such as newspapers, government documents and television broadcasts. Second, to complement this research, a series of interviews with former BCNI members, staff, government officials and Canadian academics has been conducted. In all cases, the interviewees were cooperative, discerning and engaging. They have provided anecdotes and insights so lively and entertaining that what follows may not effectively capture their rich memories and vivid recollections. In the end, as has been articulated far more eloquently by others, any errors of analysis or misinterpretations are solely the author’s.

## **Chapter Two: The Sleeping Leviathan: The BCNI, 1976-1981**

The year 1975 saw the publication of two books that would enjoy strong book sales and install notions of the business establishment in the popular imagination. Sociologist Wallace Clement published his *Canadian Corporate Elite*, and journalist Peter C. Newman published his best-selling *The Canadian Establishment*.<sup>1</sup> Each book in its own way suggested that Canada was in the grips of a powerful, interlocked business elite. Two members of that established elite – oilman Bill Twaits and mining executive Alf Powis – saw their power in the Trudeau era in somewhat more muted terms. At a glance, Alfred Powis and William Osborn Twaits projected quite different images. Powis, the chief executive officer of Noranda Mines Limited, was young, attractive and rather charming. Twaits, the bespectacled former chief executive of Imperial Oil Limited, was experienced, opinionated and often pugnacious. Powis was born into the exclusive Westmount neighborhood in Montreal in 1930, graduated from McGill University and promptly accepted a position with the great Montreal firm, Sun Life Assurance Company. Soon after, in 1955, he began his impressive career with Noranda Mines, ascending to the position of chief executive in 1977. Twaits, by contrast, was born in Galt, Ontario, in 1910, and grew up in Sarnia, where Imperial Oil had its largest refinery. After graduating in 1933 from the University of Toronto, where apart from his academic excellence, he won the much coveted first “T” in football; his career then followed the pattern of Canada’s oil industry. He made the natural transition to a position with Imperial Oil and rapidly made his mark, reaching the position of President in 1960

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<sup>1</sup> See Wallace Clement, *The Canadian Corporate Elite: An Analysis of Economic Power*, (Toronto: McClelland and Stewart, 1975); and Peter C. Newman, *The Canadian Establishment Volume 1*, (Toronto: McClelland and Stewart, 1975).

and chief executive officer in 1970. Despite these marked differences, the two men shared commonalities that bound them together. Both were, as one colleague puts it, “dynamic, big picture individuals.”<sup>2</sup> Both were equally critical of the Trudeau government’s economic interventionism, which Twaits described as “pervasive and unaffordable.”<sup>3</sup> Both men observed with discomfort a business community riddled with division and fractiousness, which, according to Powis, was a “big problem.”<sup>4</sup> And, both were prepared to tackle these seemingly intractable challenges. So, these two men, from different backgrounds, different regions of the country and different industries, came together with a common vision: the establishment of a new kind of business organization – one that rejected the old omnibus style of operation favoured by Canadian business since Confederation for one that lobbied the government with unparalleled financial clout and internal cohesion, but spoke for only one segment, albeit an influential segment, of the business community.

The genesis of the Business Council on National Issues can be found in the vision of executives like Powis and Twaits of a more orderly and less ambivalent relationship between business and government in Canada. By the 1970s, that relationship had, to put it simply, grown distant. Indeed, the decade was a tumultuous one. Marked by economic uncertainty and political instability, the 1970s were a period of disquiet worldwide. Energy prices spiked dramatically. In Canada, the emergence of stagflation – the seemingly contradictory presence of high inflation and high unemployment in the Canadian economy – and the government’s response – a comprehensive program of price and wage controls – served to drive an obstinate wedge between business and

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<sup>2</sup> Interview with Steele Curry, Toronto, 9 November 2006.

<sup>3</sup> Rosemary Speirs, “Business Retrieves the Reins,” *Toronto Star*, (Toronto: 12 December 1977), C3

<sup>4</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

government. In fact, the Trudeau government's general economic management – marked by an unprecedented level of interventionism – reflected in large part the diminishing influence of the Canadian business class over government policy. The easy accommodation of business and government in the post-war boom deteriorated into an uneasy stand-offishness. The confidence of the age of C.D. Howe had been superseded by the anxiety and demands of the “new nationalism.” According to Hart and Dymond, “a number of federal government policies adopted in the 1970s and directly attributable to the views of economic nationalists, had undermined Canadian business confidence in government economic policymaking.”<sup>5</sup> It was in this context of economic upheaval and poisoned relations that the BCNI was born.

As the top executives at two of Canada’s largest firms, Powis and Twaits were uniquely situated to witness the perversity of rampant inflation. For much of the post-World War II era, Canada had maintained a healthy inflationary rate. But, by mid-1973, prior to the first oil shock, inflation had grown to 5 per cent and rates of wage increases in new major collective agreements were pushing above 10 per cent. In 1975, inflation had registered above 10 per cent and new collective settlements were in the 20 per cent range from the fourth quarter of 1974 through the third quarter of 1975. The stability and predictability of the post-war boom had evaporated. Initially, its causation was rightly attributed to external forces, namely the onset of an unanticipated oil shock.<sup>6</sup> Gradually,

<sup>5</sup> Hart, Dymond and Robertson, 16

<sup>6</sup> The 1973 oil shock began in earnest on 17 October 1973, when the members of OPEC (The Organization of the Petroleum Exporting Countries) announced that, as the result of the ongoing Yom Kippur War, they would no longer ship petroleum to the nations that supported Israel in its conflict with Syria and Egypt. At the same time, the OPEC members agreed to use their leverage over the world price-setting mechanism for oil in order to quadruple world oil prices. Due to the dependence of the industrialized world, including Canada, on OPEC oil, the embargo delivered a terrific shock to the economies of the targeted countries. In fact, by the time the crisis had run its course, the price of petroleum had increased fourfold. Moreover, the rapid increase in the cost of energy stifled economic growth and productivity. In other words, what made

the inflation problem began to manifest itself in a far more dangerous and unsettling manner. By 1974, it had become discernible that exogenous pressures were no longer to blame. Instead, inflationary expectations inherent in the Canadian economy were now serving to exacerbate the problem. In short, short-term inflation had provoked a vicious and protracted cycle. As Canadians came to accept inflation as a permanent feature of the economy, domestic prices and wages reciprocally began to rapidly increase. The cost/price crescendo that resulted began to visibly jeopardize the economic buoyancy of the country. In his last budget speech in June 1975, Minister of Finance John Turner captured the erosive nature of cost-push inflation:

In its present cost-push form, inflation threatens to price our goods out of world markets and to lessen the capacity of our business firms to expand their operations. It disrupts financial markets and impairs rational planning by business and government. It undermines the effectiveness of the traditional instruments of demand management policy to keep the economy on course. When inflation reaches a certain point, the stimulation of spending may lead to higher prices rather than more goods and more jobs; in the long run, it actually makes unemployment worse.<sup>7</sup>

Further, the persistent presence of inflation and accompanying economic uncertainty greatly undermined the system of collective bargaining and threatened to poison industrial relations. Economists predicted higher prices and, in response, unions fought aggressively to obtain greater wage concessions – the perfect case of a self-fulfilling prediction. In fact, in 1974 Canada endured more illegal strikes than it had experienced in the first five years of the 1960s. Indeed, it was the first time since World War II that the national economy had so conspicuously malfunctioned. The stability and growth of

<sup>7</sup> the dramatic rise in the price of oil truly a “shock” was the extent to which it upset the familiar patterns of cost in the economy. For a more comprehensive analysis of the OPEC oil shock, see Yergen and Stanislaw, 46.

<sup>7</sup> This short excerpt from Turner’s budget speech was cited in *Attack on Inflation: A Program of National Action*, the policy statement tabled in the House of Commons by the Honourable Donald S. Macdonald, Minister of Finance, (Ottawa; Government of Canada, 14 October 1975), 2.

the “golden” post-war boom were slipping away. As the economic situation markedly worsened and labour-management relations deteriorated throughout the country, Powis and Twaits grew increasingly distressed by Canada’s troubling trajectory.

The adoption of price and wage controls to combat inflation surfaced during the 1974 federal election campaign. After navigating through the choppy waters of a minority government for nearly twenty months, the Liberal government, in cunning fashion, orchestrated its own defeat in the House of Commons on 4 May 1974.<sup>8</sup> The subsequent election campaign came to be dominated by the issue of inflation and the best means to halt its sustained rise. The Conservative Party, invigorated by an impressive cast of candidates, including Duff Roblin, the former Premier of Manitoba, and Ronald Ritchie, the former vice-president of Imperial Oil, was “spoiling for the fight.”<sup>9</sup> Early in the campaign, Tory leader, Robert Stanfield, sought to strategically capture the issue of inflation for his party. Thus, soon after the campaign commenced, he proposed the use of a ninety-day wage and price freeze to break the momentum of inflation. The Liberals, keen to place the less dynamic Stanfield on the defensive, countered that the imposition of domestic price and wage controls was a foolhardy policy that ignored the external impetus that underlay Canada’s inflationary rise. As the campaign wore on, the Prime Minister’s verbose denunciation of the Conservatives’ plan evolved into the pithy, yet highly effective refrain, “zap, you’re frozen” – a powerful catch phrase, which served to reinforce the perception of Stanfield as a neophyte who failed to grasp the intricacies of a

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<sup>8</sup> The Liberals had barely held off a Conservative surge in the 1972 federal election. After a series of ballot recounts, they returned to power with 109 seats compared to the Tories’ 107. For the subsequent twenty months, the New Democrats, led by David Lewis, held the balance of power in a tenuous minority government. For a fuller account of the 1972 campaign and the minority government, see George Radwanski, *Trudeau*, (Toronto: MacMillan of Canada, 1978), 258-268; and Azzi, *Walter Gordon and The Rise of Canadian Nationalism*.

<sup>9</sup> Stephen Clarkson, *Big Red Machine: How the Liberal Party Dominates Canadian Politics*, (Toronto & Vancouver: UBC Press, 2005), 33

modern economy. In the end, on 8 July 1974, the Canadian electorate rejected the Tories' draconian policy prescription and re-elected a Liberal majority government.

Although the government's election campaign had been a resounding success, the stark realities of governance quickly truncated the sense of euphoria that the victory had produced. A combination of external and internal inflationary pressures continued to push prices and wages steadily higher. Immediately following the election, John Turner, the Minister of Finance and a Bay Street confrere, worked feverishly to reach a consensus between Canadian business and labour leaders for voluntary restraint against inflation. Ultimately, however, his efforts were largely unsuccessful. On one hand, it was virtually impossible for the government to enter into discussions with a single representative of the business community, and, therefore, a consensus embracing the whole private sector was unattainable.<sup>10</sup> On the other hand, the Canadian Labour Congress (CLC), the undisputed voice of the Canadian labour movement, led by its hard-nosed President Joe Morris, was vehemently opposed to any arrangement of voluntary wage restraints. The powerful labour organization was convinced that business would fail to live up to its end of the bargain, allowing prices to continue to rise dramatically while wages would remain static.<sup>11</sup> In the absence of a legitimate business cohort or a cooperative labour constituency, the government's proposed voluntary scheme of price and wage restraint was inevitably destined to fail and, moreover, might thereby precipitate a greater economic crisis. Therefore, after months of consultations, the government abandoned the

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<sup>10</sup> See Library and Archives Canada (hereafter LAC) R11042 (Macdonald papers) Volume 292, 2 File, Notes of a Meeting between the Minister of Finance and Mr. William Twaits, Former Chairman and CEO of Imperial Oil Limited, 7 September 1976; and Pierre Elliott Trudeau, *Memoirs*, (Montreal & Toronto, McClelland & Stewart, 1993), 192.

<sup>11</sup> See LAC, R11042 (Macdonald papers) Volume 289, 4 File, Labour's Manifesto for Canada (CLC), Text of this Manifesto was approved by the 11<sup>th</sup> annual constitutional convention of the CLC in Quebec City on 17-21 May 1976; and LAC, R11042 (Macdonald papers) Volume 294, 7 File, Briefing Book: Prime Minister's Meeting with the CLC, October 1975.

policy of rapprochement with business and labour and Turner abruptly resigned from the cabinet and departed from public life on 10 September 1975.

Turner's replacement, Donald S. Macdonald, a former Toronto lawyer and one of Trudeau's most trusted English-Canadian colleagues, inherited an economic and political mess. While the Canadian public clamoured for action, the government was left with very few curative options. It could, for instance, induce a recession by imposing draconian fiscal and monetary restraints. The government, however, had repeatedly rejected such a solution due to the heavy immediate costs of unemployment and foregone output it would surely produce. Thus, only one further option remained. The government could, at significant political risk, impose a mandatory system of price and wage controls. Indeed, by 1975, officials from the finance department were recommending the imposition of a controls program as the only viable solution. Nevertheless, Prime Minister Trudeau and Macdonald were reluctant to endorse such a plan, especially since it smacked of political hypocrisy. The government had been highly critical of such an interventionist approach throughout the 1974 election campaign, and would surely lose credibility if it reversed its well-established position. Macdonald, a firm opponent of price and wage controls, was entrusted with the task of exploring all possible alternatives.<sup>12</sup> In the end, after extensive deliberation and palpable apprehension, Macdonald reached the conclusion that the government would have to countermand its former position and impose a program of mandatory price and wage controls.

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<sup>12</sup> Later, in his memoirs, Trudeau explained the rationale behind Macdonald's appointment to the finance portfolio: "My choice of Donald Macdonald as [John] Turner's successor was a last-ditch attempt to rescue the voluntary consensus effort and avoid controls. Macdonald had been one of the most vehement opponents of controls, and I knew that if there was any way to avoid them, Don would find them," see Trudeau, 195.

Thus, on Thanksgiving Day, 1975, the Prime Minister announced, in a dramatic nation-wide radio and television address, the creation of the Anti-Inflation Program. The comprehensive program was multi-faceted – including fiscal and monetary policies aimed at maintaining demand and production in the economy, a sharp reduction in government expenditures and structural policies designed to deal with the specific problems of energy and food costs – but the imposition of mandatory price and wage controls, of course, dominated his address. “Under this program,” the prime minister explained, “a selected number of powerful groups in Canada will be required by law to obey strict guidelines on any increase in prices they charge, and incomes they earn.”<sup>13</sup> The program targeted, in particular, all firms which had 500 or more employees; all firms in the construction industry, which had more than 20 employees; all those who were employed in federal government departments, agencies and corporations; and finally, all professionals, who earned fees, such as doctors, lawyers, accountants, and engineers. Trudeau’s speech and *Attack on Inflation*, the government’s policy document, which was tabled the following day in the House of Commons by Macdonald, effectively set out the regulations that would govern the application of the Anti-Inflation Program. The program, which was predicated on a gradualist supposition, allowed for, in the first year, wage and salary increases of 8 per cent to compensate for increases in the cost of living, plus an additional 2 per cent based on increased national productivity. In general, therefore, wages and salaries could not rise by more than 10 per cent. Prices, on the other hand, were only allowed to rise to offset increases in a firm’s production costs. Moreover, if costs fell, prices were expected to be reduced accordingly. “In this way,”

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<sup>13</sup> LAC, R11042 (Macdonald papers) Volume 290, 5 File, Text of the PM’s Address on National Television and Radio, 13 October 1975

the Prime Minister revealed, “profits and profit margins will be strictly controlled.”<sup>14</sup> In his closing remarks, Trudeau tried to underscore how imperative it was that Canadians, in cooperation with the government, abide by the anti-inflation guidelines, and effectively halt inflationary growth:

This Anti-Inflation Program does not impose any extreme hardship upon the people of Canada; but it does mean that we are going to have to swallow some strong medicine. People are willing to take medicine, however distasteful it might be, because they know they must take it if they want to recover their health.

In the same way, I am asking the people of Canada to accept tough limits on their behaviour so that our economy can recover, so that we can all be much better off in the future than we would be if we allowed the economy to continue along its present destructive course.<sup>15</sup>

By prescribing a temporary dose of economic centralization, Prime Minister Trudeau hoped he could revive Canada’s ailing economy.

Trudeau’s announcement hit many in the business community like a powerful punch from a prize-fighting pugilist. Although his other excursions into the domain of the marketplace – the *Foreign Investment Review Act*, the Canadian Development Corporation and Petro-Canada, for instance – had caused some discomfort within the business ranks, the controls program heightened fears that the Prime Minister sought to covertly rebalance the relationship between the state and the free-market.<sup>16</sup> Big business, in particular, was alarmed that the government’s state-directed approach to the inflation crisis would have far-reaching consequences for Canadian capitalism.<sup>17</sup> In a meeting with

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Trudeau did little, at least initially, to dissuade such fears. In December 1975, he mused, in an end of the year interview with the CTV, about the “...collapse of the free market system.” For a private sector rebuttal to Trudeau’s controversial statements, see a speech given by Donald McIvor, Executive Vice-President of Imperial Oil Limited, in Empire Club of Canada, *The Empire Club of Canada Speeches, 1975-1976*, (Toronto: The Empire Club Foundation, 1976), 251-262.

<sup>17</sup> A confidential summary of the business community’s view of the controls program drew a less than rosy picture: “In general then, the picture drawn is one of an unfavourable climate for business, lack of

Macdonald, for instance, one senior businessman caustically referred to the program as the product “of erroneous economic thinking.”<sup>18</sup> It was in the end, according to Powis, “the catalyst behind the creation of the BCNI.”<sup>19</sup>

Following the imposition of the Anti-Inflation Program, the government, led chiefly by Macdonald, entered into consultations with Canadian business. Throughout the lifespan of the controls program, he met frequently with industry leaders and regional representatives to obtain feedback concerning the procedural application of the price and profit guidelines and to provide clarification of the multifarious set of provisions governing price-setting. Indeed, the *Globe and Mail*’s description of the price and profit guidelines was not far from truth: “They ha[d] all the complexities of the *Income Tax Act*.”<sup>20</sup> As the Prime Minister had indicated in his speech, a firm was only permitted to raise prices to offset an increase in costs. Thus, even with a price increase the profit per unit would remain the same in dollar terms, and would inevitably drop in percentage terms. A company’s total profit was allowed to increase, however, as its sales volume rose. Yet, there were two notable exceptions: first, none of the guidelines required a firm to set prices in a way that would perpetuate or create a loss in its overall operations; and second, a firm would not be penalized if its profits exceeded the guidelines because of unusual productivity gains resulting from the efforts of the firm, or of favorable cost reductions that could not reasonably have been anticipated. In cases where a firm found it impossible to calculate the costs of individual products, it was required to price its

incentive to invest or modernize, high unemployment, rising inefficiency and higher costs.” See LAC, R11042 (Macdonald papers) Volume 290, 3 File, Summary of Submissions Received During the Consultation Period, 19 July 1976.

<sup>18</sup> LAC, R11042 (Macdonald papers) Volume 292, 10 File, Meeting Between Hon. Donald Macdonald with Senior Businessmen in Saskatoon on 12 January 1977.

<sup>19</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

<sup>20</sup> Editorial, “Frightening, Confusing and Far From Fair,” *Globe and Mail*, (Toronto: 15 October 1975), A6

products in such a way as to leave its pre-tax net profit margin no higher than 95 per cent of its average pre-tax net profit margin in the previous five fiscal years. Since the Anti-Inflation Program only applied to firms with more than 500 employees, the burden of compliance fell principally on the shoulders of Canada's big business sector.

Macdonald's consultative meetings, it was believed, would ease the transition into a controlled market system. It became clear to both parties early on, however, that a lack of coordination and rigorous regulatory preparation by the government left most members of the business community ill-prepared to engage in constructive dialogue with the government.

As a result, these meetings between business and government proved to be largely unproductive.<sup>21</sup> Business representatives, invited by the government to participate, often arrived at the consultations without conferring with their colleagues beforehand. In many cases, according to Powis, he rarely knew, in advance, which other businessmen would be in attendance. Therefore, he and others routinely arrived "totally unprepared."<sup>22</sup> Naturally, the positions espoused by the private sector participants were often reactionary and at times, contrarian. The business community, in the opinion of Macdonald, "generally seemed unfamiliar with the public policy process."<sup>23</sup> The government officials, in contrast, were always well-briefed and, therefore, able to dominate the discussions, rendering their private sector counterparts ill-prepared to dispute the government's ostensibly sound positions. Hence, the Prime Minister, according to one

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<sup>21</sup> See LAC, R11042 (Macdonald papers) Volume 292, contains the minutes of meetings conducted across the country between government officials and members of the business community. With few exceptions, the business participants often appeared reactionary and short-sighted. Indeed, Macdonald was personally "...surprised and disappointed that many businessmen had very little to say or parroted what their respective business organization was saying..." See interview with Donald S. Macdonald, Toronto, 10 November 2006.

<sup>22</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

<sup>23</sup> Interview with Donald S. Macdonald, Toronto, 10 November 2006.

prominent member of his staff, “virtually won the day every time.”<sup>24</sup> The asymmetrical nature of these business-government meetings resulted in “...little meaningful business input” and intensified the growing dissonance between the two powerful coteries.<sup>25</sup> Indeed, these consultative sessions demonstrated to both Powis and Twaits that a new type of business organization was desperately needed. In their view, a new vehicle – one that was able to formulate well-substantiated policy positions and to provide adequate research support to its members – was the solution to the problem of business provincialism.

After retiring from Imperial Oil in 1974, Twaits continued to observe the increasingly dysfunctional nature of business-government relations in Canada with great concern. Following the commencement of the Anti-Inflation Program, he, along with Powis, began to seriously mull over the creation of a new business organization. It was obvious to both businessmen that the existing institutions, such as the CMA and the Canadian Chamber of Commerce, “did not in any effective sense represent the major industrial and financial corporations.”<sup>26</sup> In both cases, the long-standing organizations were obliged to cover a wide spectrum of business – small, medium and large – and, as a result, failed to adequately represent the major, globally-oriented firms, whose activities covered all areas of the economy. Other business groups, which spoke on behalf of narrow regional and sectoral interests, seemed wholly incapable of addressing a much broader national agenda. In short, there was, in the words of Powis, “...no credible,

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<sup>24</sup> Interview with Thomas d’Aquino, Ottawa, 19 January 2007.

<sup>25</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

<sup>26</sup> LAC, R11042 (Macdonald papers) Volume 292, 2 File, Notes of a Meeting Between the Minister of Finance and Mr. William Osborn Twaits, Former Chairman and CEO of Imperial Oil Limited, 7 September 1976.

cohesive voice of business.”<sup>27</sup> Once again, there were various definitions of “national” – some held by small business, others by larger enterprise. Hence, Twaits envisioned a national organization with a limited membership comprised of major firms in each of the major industries. Such an assemblage, he believed, could “strengthen the voice of business on issues of national importance and put forward constructive courses of action for the country.”<sup>28</sup> Lingering problems had belatedly surfaced; a cordial divorce between “big business” and the rest of the business community had reached its final and irreversible stage.

Given these motivating factors, the big business leaders faced several options. After conferring with a small, yet prestigious group of business executives, Powis and Twaits commissioned a study of business organizations in other industrialized countries. The purpose of the inquiry was to identify the efficacious characteristics exhibited by business-lobby associations active in other mixed economy countries and to help shape the structure of the new organization. “It was not merely a question of discovering the most effective organization,” Langille rightly notes, “but also of analyzing which features might be applicable in the Canadian context.”<sup>29</sup> For example, most European and Japanese business associations were deemed too highly centralized and autocratic for the Canadian context. Others, including some massive American institutions, were far too decentralized, which tended to create incoherent policy positions and, in some cases, imbroglio. Powis and Twaits, therefore, sought a flexible structure that ceded its members relative autonomy, but still managed to achieve an enhanced degree of congruity. In the words of Powis, “...some semblance of unanimity was necessary to

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<sup>27</sup> Rosemary Speirs, “Business Retrieves the Reins,” *Globe and Mail*, (Toronto: 12 December 1977), C3

<sup>28</sup> Gordon Legge, “Business Looks for New Voice, *Globe and Mail*, (Toronto: 3 April 1977), C8

<sup>29</sup> Langille, 49

compel the government to listen.”<sup>30</sup> In their commissioned study’s assessment, the most effective organizations, despite their wide differences, were marked by a high degree of senior executive engagement. After careful consideration, the business leaders identified an American organization – the Business Roundtable – as a paradigm that, in their opinion, effectively represented the interests of an important faction of the U.S. business community. The Roundtable, which was established in 1972 through the merger of three existing organizations – the March Group, consisting of chief executive officers who met informally to consider public policy issues; the Construction Users Anti-Inflation Roundtable, a group devoted to containing construction costs; and the Labor Law Study Committee, largely made up of labor relations executives of major companies – had quickly evolved into a potent pressure group in Washington.<sup>31</sup> Comprised of 196 top corporate leaders, the blue ribbon organization engaged in several successful direct lobbying campaigns and undertook extensive research largely focused on economic and social public policy matters in the mid-1970s.<sup>32</sup> Each firm which belonged to the Roundtable was duly represented by its respective chief executive officer, who was expected to actively participate in the policy development process. Therefore, the Canadian internal study concluded, the American organization was able to achieve flexibility and concurrence in its policy positions and a propitiative approach in its lobbying efforts.

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<sup>30</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

<sup>31</sup> See Graham K. Wilson, “Corporate Political Strategies,” *British Journal of Political Science* Volume 20 (2), (April 1990): 281-288.

<sup>32</sup> During the 1970s, the Roundtable coordinated a series of approximately 200 lawsuits that compelled the U.S. Federal Trade Commission to cease its program of monitoring the concentration of ownership of American businesses. According to Canadian lawyer, Paul Bigioni, “this paved the way for the merger and acquisition booms of the 1980s and 1990s.” See Bigioni, “Power to the People (in Suits): New Kind of Business Lobby Ominous Threat to Democracy,” *The CCPA Monitor*, (December 2006): 20-21.

With a latent organizational structure in mind, Twaits and Powis began to fastidiously solicit potential members. There was a deliberate selectivity in this process – only one major firm was brought aboard from each industrial sector. In doing so, the founders aimed to create a limited membership base that represented different segments of business and finance structured in such a way that it covered the full range of activities in the private sector of the Canadian economy. It was important, moreover, to strike a regional balance and to disavow, what early Council member and Western-based proprietor, Steele Curry, described as “the Toronto-centric mentality,” which permeated the business community.<sup>33</sup> Thus, Twaits and Powis identified a coterie of business executives, who shared their vision of a more constructive relationship between business and government, greater dialogue between management and labour, and a less state-directed, more market-oriented economy. This nucleus of executives, which began to meet informally in early 1976, was impressive in its breadth and scope. The list of original members, besides Powis and Twaits, included some of the country’s most well-known and successful presidents and chief executive officers: John Archibald Armstrong of Imperial Oil Limited; Roy Bennett of the Ford Motor Company of Canada; Paul Desmarais of the Power Corporation of Canada Limited; John Peter Gordon of the Steel Company of Canada Limited; Robert St. Clair Hurlburt of General Foods Limited; Paul Leman of Alcan Aluminum Limited; Franklin McCarthy of du Pont of Canada Limited; Robert Scrivener of Northern Telecom Limited; and Albert Thornborough of Massey-Ferguson Limited (see Appendix A for list of founding members of the BCNI). Such an impressive compilation of powerful private sector leaders endowed the Council with an

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<sup>33</sup> Interview with Steele Curry, Toronto, 9 November 2006.

immediate degree of legitimacy and enhanced its standing in business and government circles alike.

While the influence of the Business Roundtable model was unmistakable, the Council's structure was fittingly adapted to function in the Canadian context. By September 1976, though the organization had yet to be officially named, its internal framework had undergone a considerable transformation. Unlike the reactive structures of the previous business lobby groups, the new organization was consciously designed to be proactive. It would have a central policy committee which would involve the CEO of a major firm in each of the major industrial sectors embraced by the new organization. This individual would remain on the executive board for a period of three years and could plausibly be re-appointed. Alternatively, another representative from the same industry, but not the same firm, would succeed him. The central committee, it was decided, would be the key consultative and policy-making body, but the executive decisions would emanate from a principal operating group, which Twaits would later refer to as "the troika," that would consist of the two-chairmen – himself and Powis – and the permanent head of the Council, who had also yet to be named.<sup>34</sup> It was the full-time president or one of the two co-chairmen who would be the source of immediate response on fast-breaking policy developments that affected Canadian business.

Members were expected to directly participate in the policy development process through a series of sub-committees covering a multitude of policy matters relating to national finance, taxation, foreign policy and defence, labour relations and manpower and social policy. Such task forces, which were to be established by the executive committee to anticipate the emergence of key issues in the Canadian public policy arena, were to be

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<sup>34</sup> Charles Davies, "Blue Chip Roster for Business Council," *Board of Trade Journal*, (April 1977): 30-31

kept relatively finite in size and cohesive in nature.<sup>35</sup> These task forces were to be chaired by members of the policy committees with the active participation of other members. The sub-committees were to be formed, reshaped and dissolved as circumstances dictated or work was concluded. In this way, it was hoped to achieve maximum membership participation in BCNI's activities without the rigidities of the committee system. The structure was also designed to ensure a nimble reaction to events in the public policy realm.

While the Council would maintain a limited internal research capacity, the founders elected to retain the services of outside consultants – namely academics and public policy analysts – to undertake its larger-scale research projects. Lastly, the founders earmarked two positions on the prestigious executive committee for the current presidents of the Canadian Chamber of Commerce and the CMA. This important decision was reached, later BCNI literature revealed, "...in order to ensure maximum coordination of planning and effort in matters of overall concern to the business community of Canada."<sup>36</sup> In other words, the Council, by granting permanent executive positions to representatives from the other two major business groups, became what public policy analyst, Bruce Doern, has described as "a macro-layer" of business sentiment in Canada.<sup>37</sup> That is, the organization placed itself atop the existing business

<sup>35</sup> In these same years, corporations were rapidly developing "public affairs departments," which (unlike public relations departments) were intended to read and anticipate the public mood – to mould policy rather than react to it after the fact." See Duncan McDowall (ed.), *Advocacy Advertising: Propaganda or Democratic Right?*, (Ottawa: The Conference Board of Canada Public Affairs Research Division, May 1982); Daniel Bon and Kenneth Hart, *Linking Canada's New Solitudes: The Executive Interchange Program and Business-Government Relations*, (Ottawa: The Conference Board of Canada Public Affairs Research Division, 1983); and John Benoit et. al, *Assessing the Impact of Mediation*, (Ottawa: Solicitor General, Programs Branch, 1985).

<sup>36</sup> This quotation is taken from a BCNI information brochure published in 1985; and was later re-printed in Langille, 51

<sup>37</sup> Interview with Bruce Doern, Ottawa, 23 October 2006.

organizational infrastructure, which, it was rightly believed, would facilitate a greater level of coordination and overall cooperation across the breadth of the Canadian business community. Although the structural complexion of the BCNI naturally evolved over time, the institutional inner-structural formula conceived by its founders – a basic impetus behind the Council’s enduring success as a lobbying organization – has remained remarkably unchanged (See Appendix B for an organizational pyramid of the BCNI).

After establishing a sound organizational footing, the founders sought a permanent head of the fledging organization, someone who could effectively complete the powerful triumvirate envisioned by Twaits. In a closed-door meeting with Finance Minister Macdonald on 7 September 1976, Twaits indicated that they had a “good candidate in mind, a man with an extensive background in business and government.”<sup>38</sup> Later that year, the Council duly hired William Dana Archbold, who had retired from his position as the marketing vice-president of Imperial Oil in 1973, to serve as its permanent director. Archbold graduated from Princeton University in 1946, after serving four years with the American Pacific Army Service. Upon graduating, he promptly joined the Standard Oil Company in New Jersey, where he built a reputation as a competent mind in the continental oil industry. After re-locating to Canada, Archbold held various positions within the government and the private sector. As Ottawa increased its regulation of the Canadian energy sector in the late 1950s, Archibold learned the policy ropes in the national capital. He served, for instance, for some time as the vice-chairman of the Energy Board Supplies Allocation Board in the Department of Energy, Mines and Resources, before returning to the private sector with Imperial Oil. Indeed, his

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<sup>38</sup> LAC, R11042 (Macdonald papers) Volume 292, 2 File, Notes of a Meeting Between the Minister of Finance and Mr. William Osborn Twaits, Former Chairman and CEO of Imperial Oil Limited, 7 September 1976

administrative talents, grasp of the public policy development process and strengths as a “public relations man,” made him an outstanding candidate for the Council’s permanent directorship.<sup>39</sup> Archbold’s accession to organization’s top position marked the culmination of the Council’s initial development. Ostensibly, with a strong full-time director and flexible organizational structure firmly in place, the Council had progressed to the final stage – it was time to make its existence publicly known.

Thus, the Business Council on National Issues, whose membership has rapidly expanded to ninety-three, held its first general meeting in Toronto, in April 1977. Naturally, the gathering attracted significant media attention. In a general policy statement, the Council’s service spokesmen purported the rationale behind the organization’s establishment and outlined its mandate. According to Twaits, “the voice of the private sector ha[d] become increasingly fractured and ha[d] decreased in creditability.”<sup>40</sup> The purpose of the Council, therefore, was to stimulate direct dialogue with government and labour on general economic and social matters. In doing so, he explained, the Council sought to forge a less confrontational and suspicion-ridden economic climate. In addition, the establishment of more cooperative relations with government and labour, the BCNI purported, could lead to a certain degree of tripartite consensus on a number of troubling economic issues. There was much talk in these years of the doctrine of “tripartitism,” in North America, mainly inspired by European models of business, government and labour consultations.<sup>41</sup> At the same time, the Council was

<sup>39</sup> Interview with Darcy McKeough, Toronto, 8 November 2006.

<sup>40</sup> Roderick Oram, “Chief Executives Form Organization to Discuss General Economic Issues and Sponsor Research,” *Globe and Mail*, (Toronto: 5 April 1977), B9

<sup>41</sup> For an international perspective, see Kamala Mathur and N. R. Sheth, *Tripartitism in Labour Policy: The Indian Experience*, (New Delhi: Shri Ram Centre for Industrial Relations, 1969). And for a Canadian view of tripartite consultations, see Paul Malles, *The Road to Consensus Policies: Challenges and Realities* Occasional Paper #4, (Ottawa: The Conference Board of Canada, 1976); and William Dodge (ed.),

quick to temper any expectations that it represented a panacea that would instantly solve the many challenges facing the Canadian economy. On the contrary, Powis noted with a hint of caution that the BCNI aimed “at the moment...to identify the most serious problems and then to narrow them down to the areas where we can be the most help.”<sup>42</sup>

Nonetheless, the two executives did set out a set of broad principles that they believed were fervently held by its corporate membership. The Council, in general terms, stood for less government interference in the economy and a return to freer enterprise; less taxation of corporations to encourage capital investment; and a sharp reduction in government spending, namely in the area of social program entitlements, such as employment insurance. While the Council was discernibly market-oriented in its outlook, it worked feverishly to dispel the notion that its objectives were incongruent with those of the general public. The spokesmen assured reporters that, in the words of the Twaits, “the BCNI [wa]s not just another voice among many extolling the virtues of the free enterprise.”<sup>43</sup> Lastly, they underscored that, though the organization was comprised exclusively of senior business executives, it did not purport to speak on behalf of the business community as a whole. “We’re not trying to become a large, amorphous organization,” Twaits declared.<sup>44</sup> To the contrary, the BCNI’s *raison d’être*, like that of the Business Roundtable, was to represent the interests of an elite, blue chip faction within the Canadian private sector that, in their opinion, had been systematically squeezed out of the public policy process since the golden years of business-government

*Consultations and Consensus: A New Era in Policy Formation*, A Roundtable Discussion held in Ottawa 7-8 June 1979, (Ottawa: The Conference Board of Canada Compensation Research Centre, December 1978).

<sup>42</sup> Wendy Kerr, “Executives Find Business Philosophy is the same in Both Languages,” *Globe and Mail*, (Toronto: 21 September 1977), B1

<sup>43</sup> Gordon Legge, “Business Looks for New Voice,” *Globe and Mail*, (Toronto: 3 April 1977), C8

<sup>44</sup> Davies, 30

relations in the post-war boom. In the end, the natural curiosity of the business media notwithstanding, the public launching of the BCNI turned out to be a rather subdued affair, which was wholly consistent with the civil, low-key approach it avowed to take in its future lobbying efforts.<sup>45</sup>

In subsequent months, the Council – preoccupied with quietly building bridges with others in the business community and forging links with government – maintained a relatively low profile. During this period, its membership continued to grow in a controlled and methodological way. Determined to weaken the perception of the organization as another central Canadian construct, the organization continued to appeal to a carefully formulated, regional-based membership of corporations, particularly in Quebec and the West. New members, such as Steele Curry, the chief executive officer of Revelstoke Companies Limited, a Calgary-based manufacturing and retailing firm, were encouraged to join, and quickly rose to positions of prominence. Others, like Earle McLaughlin of the Royal Bank of Canada, who had consistently spoken out against the Trudeau government's economic management, were keen to join the new organization. All in all, most of the executives Powis and Twaits approached, in this early period, readily accepted their respective invitations. According to Twaits, in fact, "more than 80 per cent of the companies chosen to join the BCNI had accepted."<sup>46</sup> Of those who declined, a considerable number expressed continuing interest. At the same time, the Council established a head office in Toronto and hired a small full-time staff to provide administrative assistance to the Council's internal committees. The organization's annual

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<sup>45</sup> One reporter noted months later: "The Council announced its existence in April in stories that hit the business press, but went largely unnoticed by most of the general public." See Rosemary Speirs, "Business Retrieves the Reins," *Globe and Mail*, (Toronto: 12 December 1977), C3.

<sup>46</sup> Roderick Oram, "Chief Executives Form Organization to Discuss General Economic Issues and Sponsor Research," *Globe and Mail*, (Toronto: 5 April 1977), B9

costs were largely covered by membership dues, which were based on an assets-based formula similar to the one used by Conference Board of Canada. The calculation used a number of factors, including the size of the company's assets and the type of industry it was in, resulted in a range of annual contributions, from \$1,600 to \$16,000. In 1977, the BCNI's budget was \$655,000, about half of which was earmarked for research undertakings.<sup>47</sup> The policy committee, which was to meet quarterly, began to identify key policy areas that warranted the Council's attention. Consistent with the organization's stated objectives, the executive body refrained from articulating generalized positions covering a broad range of issues, or from making knee-jerk responses to current situations. Such an initially restrained approach was deemed necessary if the BCNI was to build credibility for the carefully developed and more assertive positions it would take in the future.

The Council's early leadership felt, at that time, that the organization's credibility would be greatly enhanced if its policy positions were based on sound, objective research. This feature of the BCNI, according to its director of research from 1982 to 1986, Jock Finlayson, "was quite different from the Chamber of Commerce or the Boards of Trade."<sup>48</sup> It was generally believed that a commitment to seemingly objective primary research would distinguish the Council from its peers and compel policymakers, the media and other audiences alike, to look more attentively at the BCNI's policy positions. Its first policy document, released in early 1976, was produced by the respected

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<sup>47</sup> William D. Archbold, "BCNI: New Factor in Business Communications," *Canadian Business Review* Volume 4 (3), (Summer 1977): 13-15.

<sup>48</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

accounting firm, Touché & Ross Company.<sup>49</sup> The commissioned paper, entitled “The Impact of Inflation on Business,” was thorough in its analysis of the eroding effect inflation had had on corporate liquidity and was generally well-received. In its second year, the Council commissioned the Conference Board of Canada to undertake a three-phased examination of corporate perceptions of the strengths and weaknesses of the Canadian economy. The resulting study, which surveyed the attitudes of senior business executives and reported their assessments on such topics as capital formation and international trade, was very technical in nature, and as a result, failed to attract much widespread attention.<sup>50</sup> Nevertheless, the Council remained committed to an incremental program of policy elucidation in order to provide its members with leading-edge stratagems and to reinforce its credentials as a top-flight advocacy group.

In the ensuing two years, the BCNI never departed from this prudent strategy. Determined to continue sponsoring research on national issues and to grooming internal policy positions, it tended to remain outside of the public spotlight. Having said that, the Council followed with keen interest the gradual termination of the government’s Anti-Inflation Program, which effectively ceased on 14 April 1978. A number of Council members, moreover, were enlisted to participate in a series of tripartite consultations between business, government, and labour, which laid the foundation for the post-controls period. Unlike the previous meetings between business, government and labour that had left its entrants frustrated and discouraged, these meetings were much more

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<sup>49</sup> See Touche Ross & Co., *The Impact of Inflation on Canadian Business*, Report for the Business Council on National Issues, (Chicago: 6 February 1976).

<sup>50</sup> See Lawrence J. Murphy et. al, *Perspectives on the Canadian Economy: An Analysis of Cyclical Instability and Structural Change*, (Ottawa: Conference Board of Canada, December 1977); Charles A. Barrett, *Capital Spending and Economic Expansion: Alternatives for the Future*, (Ottawa: Conference Board of Canada, August 1978); and Edward Carmichael and Yoshiaki Adachi, *Canada's Manufacturing Sector: Performance in the 1970s*, (Ottawa: Conference Board of Canada, September 1978).

fruitful, due largely to the significant behind-the-scenes support the BCNI was able to provide to its representatives. Although the controls program had produced mixed results, and, at times, had rankled some in the business community, the Council actively cooperated with both government and labour to ensure that the decontrol process was properly executed to avoid a sudden burst of price and wage inflation.<sup>51</sup> Its involvement in the decontrol talks signaled that, in the absence of an indivisible business voice, the government was increasingly inclined to turn to the BCNI as the default emissary of the business community.

Despite its early achievements, the Council's orientation remained largely inward for the balance of the decade. While this period of low profile can be explained, in part, as a purposeful long-term strategy designed to foster long-term internal cohesion and better relations with the government, it more likely reflected a general reluctance on the part of some members to fully embrace the Council's ipseity. The ability of the BCNI to overtly participate in the prevailing public discourse, consequently, was severely weakened. Indeed, its record of public achievement between 1976 and 1980 was, by all accounts, underwhelming. By the late 1970s, in fact, some members were privately "raising serious questions about its viability."<sup>52</sup> In 1977, for example, Thomas d'Aquino, who at this time was the president of Intercounsel Limited, an Ottawa public-affairs consulting company which he had established two years earlier, and a sporadic advisor to the Council, wrote a candid memorandum, entitled, "The Sleeping Leviathan," in which

<sup>51</sup> At the time of its cessation, the effectiveness of the Anti-Inflation Program was ambiguous. Indeed, the rates of increase for 1977 and 1978 – 8 and 9 per cent, respectively – were well above the implicit targets of 6 and 4 per cent, set at the program's onset. For a more comprehensive evaluation of the program's performance, see John Sargent, *The 1975-1978 Anti-Inflation Program in Retrospect* Working Paper 2005-43, (Ottawa: Bank of Canada, December 2005).

<sup>52</sup> Interview with Thomas d'Aquino, Ottawa, 19 January 2007.

he lambasted the organization's seeming lack of productivity and public engagement. According to d'Aquino, the Council, despite its stated objectives, remained largely ad hoc and reactionary in its consuetude. It was, in short, lacking a "coherent strategy for going forward."<sup>53</sup> His spirited critique – though conceived with good intention – naturally caused some consternation within the Council's executive committee. At a meeting at the Mount Royal Club in Montreal later that year, d'Aquino was asked to explain his position. "We have a collection of very powerful people here," he said, recollecting the tense meeting, "but it has done nothing of any consequence, it is in danger of falling apart, and it doesn't have a vision; it doesn't have a coherent way to operate – it doesn't have a *modus operandi* that promises success."<sup>54</sup> The political climate, in d'Aquino's opinion, was rapidly changing and it was imperative, therefore, for the Council to adapt accordingly. In this new era of political participation, democratic accountability and *vox populi*, the Council could no longer rely on the informal nature of the business-government relationship. To be successful, d'Aquino declared, the BCNI needed to approach government with a new degree of precision and sophistication.

His call for a dramatic overhaul of the Council received a mixed response. Some members, particularly those who had developed close personal relationships with senior members of the Liberal government, failed to grasp the substance of d'Aquino's pertinent message. Others, however, recognized that, in an increasingly volatile political environment – marked by continuing high unemployment, steady inflation and growing regional fragmentation – the Council needed to become much more proactive in its approach and far more engaged in public dialogue. All in all, much to his surprise,

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<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

d'Aquino's provocative views were constructively received. "Anyways, I was not summarily fired," he notes with laughter. "That resulted in a job being offered to me."<sup>55</sup> Still heavily involved in the day-to-day operations of Intercounsel, d'Aquino, at this point, respectfully declined the Council's overtures, but remained intimately involved in the organization's activities and observed with great interest, its genuine penchant for change.

In 1979, Powis' and Twaits' three-year term as co-chairmen came to a close. The two were duly replaced in October by a single chairman, Jack Barrow, the recently retired chief executive officer of Simpson-Sears Limited and former chairman of the Retail Council of Canada. The conclusion of his term officially marked the end of Twaits' formal involvement with the Council. Indeed, his contribution as the BCNI's first co-chairman and, more chiefly, as its intellectual founder, was crucial. Powis, on the other hand, continued to remain an integral figure within the organization. While its leadership had changed, the Council's general direction, to Twaits' credit, remained largely intact. Under Barrow's administration, the council would continue to make its views known to government and to offer consultation and expertise where possible in a constructive fashion. "The BCNI is not going to thunder against the government," he told reporters soon after accepting the chairmanship. "We believe we should walk softly, speak softly. We don't want a high profile. And we are certainly not a right-wing lobby – not a group of people who are against all sorts of things. We want to be able to help government form policies in the interest of all Canadians."<sup>56</sup> Despite its internal turnover and the retirement of its co-founder, the BCNI maintained a measure of continuity in its message

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<sup>55</sup> Ibid.

<sup>56</sup> Martin Dewey, "BCNI will not be Making Thunder but Imparting Views Ever so Quietly," *Globe and Mail*, (Toronto: 4 October 1979), B1

and its mien, which granted it further increasing credibility in the eyes of the government.<sup>57</sup>

That same year, the Council released its first major in-house policy document, a comprehensive examination of the country's federal Parliament that outlined a series of recommended institutional and procedural reforms.<sup>58</sup> The report was the manifestation of the extensive research undertaken by the Council's Task Force on Business-Government Relations, which was chaired competently by Curry. Over the course of ten months, those on the sub-committee, including principal contributor Gerald Heffernan, the chief executive officer of Co-Steel Incorporated, conducted interviews with cabinet ministers, backbenchers and former members of Parliament. The study cited "five most critical areas in need of change."<sup>59</sup> The Council recommended, for instance, a revision of the committee system to provide individual members of parliament and senators more discretion; greater access to information to enable detailed scrutiny of government operations, especially budgetary programs; increased public service accountability both directly to the executive and to Parliament; and an enhanced role for the individual member of Parliament.<sup>60</sup> "Without change, Parliament will simply be incapable of dealing effectively with the increasing complexity of modern Government," the report

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<sup>57</sup> Initially, the government was somewhat hesitant to deal with "a new, untested and essentially unknown entity." See LAC, R11042 (Macdonald papers) Volume 294, 4 File, Department of Finance Memorandum: A New Consultative Forum, 27 June 1977.

<sup>58</sup> See Thomas d'Aquino, Bruce Doern and Cassandra Blair, *Parliamentary Government in Canada: A Critical Assessment and Suggestions for Change, A Study Prepared for the Business Council on National Issues*, (Ottawa: Intercounsel Limited, 1979). The parliamentary reform paper was later republished for a wider audience; see d'Aquino, Doern and Blair, *Parliamentary Democracy in Canada: Issues for Reform*, (Toronto: Methuen, 1983).

<sup>59</sup> D'Aquino, Doern and Blair, 1

<sup>60</sup> See Canadian Press, "Overhaul of Parliament Critical, Leading Business Executives Feel," *Globe and Mail*, (Toronto: 19 April 1979), A2

concluded.<sup>61</sup> Due to the limited internal support available to the numerous task forces concurrently conducting research, Curry elected to retain the services of d'Aquino to serve as a project advisor. After establishing Intercounsel, d'Aquino had built a solid reputation in Ottawa circles based on his expertise in energy, finance, public administration and international law. Immediately, Curry was "exceptionally impressed with d'Aquino's judgment and capability."<sup>62</sup> His acute political sensibilities and seemingly limitless access to leading politicians greatly enhanced the quality and scope of the Council's parliamentary reform paper. Moreover, d'Aquino's relentless energy and infectious charisma left an indelible mark on those on the task force in general and the Council as a whole.

Soon afterwards, Curry, who now held a position on the executive committee, recommended to the policy committee that it should try once again to woo d'Aquino. In doing so, he "expressed serious concerns that the BCNI would fail to achieve its potential without a cracker-jack president."<sup>63</sup> Although the Council's existing leadership had done an adequate job attracting new members and developing coherent and reasoned policy positions, it had become clear to Curry and others that a new, more dynamic president was required to better articulate its message, both in the corridors of power and in the coffee shops of the country. According to Powis, there was general agreement amongst most members that, by 1981, they "needed someone like Tom."<sup>64</sup> After brief deliberation, the policy committee unanimously concluded that "Tom's strengths ideally suited the

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<sup>61</sup> D'Aquino, Doern and Blair, 110

<sup>62</sup> Interview with Steele Curry, Toronto, 9 November 2006.

<sup>63</sup> Ibid.

<sup>64</sup> Interview with Alfred Powis, Toronto, 6 December 2006.

BCNI.”<sup>65</sup> Thus, it elected to forcefully pursue d’Aquino. Initially, however, few believed that he would be prepared to leave Intercounsel, which had rapidly emerged as one of the most powerful firms in the crowded public-affairs consulting industry. Indeed, few others could boast such an impressive list of clients. Intercounsel represented blue-chip firms like the Royal Bank of Canada and Gulf Canada and such foreign-based conglomerates as Mars, Time Incorporated and Unilever. He had also acquired a string of U.S. border broadcasters as clients who sought exemptions from Canada’s restrictions on advertising. Nonetheless, the Council’s executive, which had extensive collective experience in negotiating with corporate executives, were prepared to “ma[k]e him an offer he couldn’t refuse.”<sup>66</sup>

In this vein, a meeting was arranged in Toronto between d’Aquino and members of the executive committee. Shortly after the meeting commenced, d’Aquino presented a list of trenchant conditions. First, he was to be named chief executive officer. In his opinion, the position of his predecessor had been greatly undermined by his title of executive director. If he was to wield real influence within the Council, he needed to establish a measure of equality between himself and the chief executives who comprised it. Second, he was determined to re-structure the organization. It would have to become substantially more proactive and strategic in its policy development and its advocacy approach. Third, the Council would have to move its headquarters from Toronto to Ottawa, the centre of government in Canada. Lastly, he refused to relinquish his presidency of Intercounsel. He would continue to manage his firm while serving as the chief executive of the Council. After d’Aquino stated his conditions, the meeting room

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<sup>65</sup> Interview with Steele Curry, Toronto, 9 November 2006.

<sup>66</sup> Ibid.

fell conspicuously quiet. “And to my enormous surprise,” he remembers, “they all looked at one another and one person said, ‘does anyone have problems with that?’ and no one around the table spoke up.”<sup>67</sup> Thomas d’Aquino, the man who would come to personify the organization in the subsequent two decades, to lead its most successful lobbying campaign and to cause Powis to conclude decades later that “[his hiring] was a stroke of genius,” had become the chief executive officer of the BCNI.<sup>68</sup>

He promptly returned to Ottawa to meet with his staff at Intercounsel, who he hoped would join him in this exciting, yet extremely challenging, endeavor. The following day, those who wished to accompany him were duly hired by the Council and the letters above the door were fittingly changed. And that was the beginning of the new BCNI. The “Sleeping Leviathan” had awakened.

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<sup>67</sup> Interview with Thomas d’Aquino, Ottawa, 19 January 2007.

<sup>68</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

### **Chapter Three: The Art of Business Diplomacy: The BCNI, 1981-1985**

D'Aquino brought a new sense of diplomacy to business-government relations in Canada. "Patience and tolerance are important qualities to cultivate in public life," Vincent Massey, the first Canadian envoy to the United States with full diplomatic credentials, wrote in his memoirs.<sup>1</sup> The short, thin product of baronial Central-Canadian lineage went on to serve with distinction as Canada's High Commissioner to the United Kingdom during the chaotic years of World War II.<sup>2</sup> Over the course of his appointment in London, Massey, an affable host, acquired a well-deserved reputation for his patrician dinner parties and lively social gatherings. Indeed, his uncanny credentials as a matchless socialite outlasted his limited contribution to the coordination of the affairs of the North Atlantic military alliance. Nevertheless, as Canada's first and most famous diplomat, Massey came to personify a lasting model of diplomatic behaviour that pervaded the country's diplomat corps for decades. Besides his renowned association with the qualities of pragmatism and good will, Massey could have easily included unflappable confidence, shrewd judgment, and general veracity in his description of the ideal skill-set and temperament for a successful diplomat. All these coveted traits are, in some measure, the essential elements of effective diplomacy and all, incidentally, are seen in the character of Thomas d'Aquino, who notably lacked Massey's snobbishness and hauteur.

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<sup>1</sup> Vincent Massey, *What's Past is Prologue: The Memoirs of Vincent Massey*, (Toronto: MacMillan Company of Canada Limited, 1963), 229

<sup>2</sup> He made such a favourable impression in England that in 1946, King George VI invested him with the Companion of Honour. In his memoirs, Massey thoroughly chronicles his experiences in the United Kingdom; see *Ibid.*, 224-444.

The descriptor “lobbyist” has acquired a distinctly negative connotation in Canada. It has, over the years, come to be associated with the unseemly activities of shadowy characters operating behind the scenes, who obtain undue influence by engineering systematic kick-back schemes and encouraging widespread political corruption. One thinks of nineteenth century railway intriguers and tariff supplicants. Although d’Aquino has never entirely shunned the characterization of lobbyist – he has, in fact, at times, reveled in it – it fails, according to Canadian public policy analyst and trade negotiator, Michael Hart, to accurately reflect his leadership of the BCNI.<sup>3</sup> D’Aquino, in the words of Hart, was a “business diplomat,” who exhibited the same combination of clever panache and cold pragmatism often associated with traditional diplomats, such as Massey.<sup>4</sup>

His personal evolution into the role as the influential ambassador of Canada’s big business sector was marked by his combined experiences in academia, business, government and law. Thomas Paul d’Aquino was born in Nelson, British Columbia on 3 November, 1940. A first-generation Canadian to two Italian immigrant parents, he quickly established himself as a discerning and energetic student. Following the completion of his secondary education, d’Aquino graduated to the University of British Columbia, where, incidentally, he shared a room with future Prime Minister Joe Clark. Upon graduation, he continued his education at Queen’s University, the London School of Economics and the University of Paris. Over the course of his impressive academic career, d’Aquino obtained B.A., LL.B., and LL.M. degrees, having specialized in

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<sup>3</sup> “I’ve never been sensitive to the word, ‘lobbyist,’” d’Aquino once told a *Globe and Mail* reporter, “The Pope is a lobbyist. So are the Archbishop of Canterbury and the American Ambassador.” See Margot Gibb-Clark, “Lobbying: No Respect but it gets Things Done,” *Globe and Mail*, (Toronto: 14 December 1987), B1-B13.

<sup>4</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

political science, economics, and international economic law. After being called to Bar of British Columbia in 1966, the highly-ambitious, young lawyer made the long eastward trek to Ottawa to serve as the executive assistant to minister without portfolio, Jim Richardson, in 1967. Within a year, his energy and talents were noticed by the Prime Minister's staff, and he was duly promoted to the position of special assistant to Trudeau, whom he had actively campaigned for during the Liberal Party's competitive leadership race in 1968. As a member of the Prime Minister's staff, d'Aquino was able to observe, first-hand, the policy development process, the politics of participation, and the growing inability of the private sector to effectively participate in either. "When Mr. Trudeau came to office after the Pearson years," d'Aquino readily observes, "things had begun to change and the relationship between business and the Trudeau government, or the Liberal government of the time, became a cooler relationship."<sup>5</sup> This three-year experience was an invaluable source of practical education that remained with d'Aquino well after he accepted the chief position with the BCNI.

He departed from Ottawa in 1972, and spent the subsequent three years involved in international law and financial consulting in the major commercial centres of London, New York and Paris. He returned to Canada in 1975 to found Intercounsel Limited. In doing so, d'Aquino, according to journalism professor John Sawatsky, "launched himself as a force in public affairs consulting."<sup>6</sup> The firm, which rapidly grew to employ eleven people, including support staff, came to specialize in the execution of domestic and international business transactions and the mentoring of chief executives on public policy strategies. By 1977, his impressive list of private sector clients included the BCNI,

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<sup>5</sup> Interview with Thomas d'Aquino, Ottawa, 19 January 2007.

<sup>6</sup> John Sawatsky, *The Insiders: Government, Business and the Lobbyists*, (Toronto: McClelland & Stewart Publishers, 1987), 184

which, in the absence of a well-established internal research capacity, retained the services of d'Aquino to provide insight into the inner-workings of the policy development process in general, and the economic predilections of the Trudeau government, in particular. The relationship quickly blossomed, culminating, of course, with d'Aquino's hiring as the president and chief executive officer of the BCNI in March 1981.<sup>7</sup>

His impressive academic background and diverse professional career profoundly influenced d'Aquino's view of the world. "I took one of the very first courses that was offered on the law of European institutions, which really focused on European Union," he once recalled to Peter Newman. "That got me very interested in the role of transnationals operating within the European Union and then I went on to do management consulting in Paris, I worked only for transnational companies, primarily in Europe. That and my studies at LSE (London School of Economics) hooked me into this idea that the winds of change were already sweeping over Europe and ultimately would sweep over North America."<sup>8</sup> When he formally took over the BCNI, the changes he prophetically foresaw were beginning to take hold throughout the world. The elections of Margaret Thatcher in Britain and Ronald Reagan in the United States, in 1979 and 1980 respectively, were, in part, a manifestation of an evolving neo-conservative intellectual climate. By then, the previous embrace of the state-coordinated economy had turned increasingly into disillusionment in the minds of certain elites. The financial burden of public ownership and government intervention had, in many Western countries, exceeded the spending capacity of the state. The old Keynesian prescriptions were becoming threadbare. The

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<sup>7</sup> He was officially appointed president and chief executive officer of the BCNI on 11 March 1981, see announcement in the *Globe and Mail*, (Toronto: 11 March 1981), B2.

<sup>8</sup> Newman, *Titans*, 154

steady accumulation of deficits that resulted produced ballooning debts. Inflation, moreover, had become chronic and embedded. Thus, in the aftermath of the international inflation crisis, the Keynesian model of demand management and government-directed stimulus to the economy fell into disrepute. In its place, emerged a new economic paradigm, which was rooted in the traditional market liberalism that had dominated the relationship between the state and free-market in the pre-World War II era. Both Reagan and Thatcher rapidly undertook to fundamentally reorganize the macro-economic framework of their respective countries with the zeal of spirited converts. Thatcher, on one hand, curbed the power of Britain's trade unions, slashed corporate and personal marginal taxation rates and privatized a number of state-owned enterprises. Reagan, a disciple of supply-side economics, on the other hand, initiated a market-based program of de-regulation and sweeping tax reduction. In both cases, the state retreated from the market-place, leaving a greater role for macro-level economic decision-making to market forces and the private sector. Soon, the economic models advanced by Thatcher and Reagan were adopted by other national governments. Naturally, d'Aquino and the members of the BCNI observed these profound economic changes abroad with growing enthusiasm. D'Aquino, in particular, seemed ardently prepared to ride the "wave of philosophical conservatism as though he were born on a surfboard."<sup>9</sup>

In Canada, however, the Trudeau government was extremely reluctant to enter the shifting and uncertain waters of economic liberalism. Trudeau clung to his dirigiste ways. Facing the challenges of structural inflation, rising budgetary deficits, perverse monetary policy and the seismic shifts in world trade – what d'Aquino euphemistically referred to as "the four horsemen of the economic apocalypse" – the macro-economic position of the

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<sup>9</sup> Benoit and Gray, 26

country was, indeed, perilous.<sup>10</sup> The federal government, nonetheless, remained largely resistant to the market-based initiatives introduced in Britain, the United States and elsewhere. Its unwavering commitment to the Keynesian model of economic management was well-exhibited by a series of discretionary economic and fiscal policies it undertook to stimulate domestic growth following Trudeau's re-election in 1980.<sup>11</sup> The National Energy Policy (NEP), for example, which was enacted that same year by the Minister of Energy Marc Lalonde was, in part, a response to the vacillating nature of the international energy market. Designed to promote energy self-sufficiency and to divert a larger share of oil revenues to the federal government, the program, broadly speaking, sought to coerce Western Canadian energy firms into selling their oil resources well below world market prices within the domestic market. Naturally, the policy – widely seen by oil producers and the citizens of Western Canada alike as an arrogant intrusion into an area of provincial jurisdiction – provoked widespread hostility.

In its budgetary actions, moreover, the Trudeau government continued to employ traditional Keynesian practises – namely, taxation increases and deficit spending – in an attempt to offset the downward trend of Canada's economic cycle. "Indeed," Clarkson and Lewis declare, "the 1983 'recovery budget' presented by finance minister Marc Lalonde was probably the most Keynesian budget of the post-war era. It proudly boasted of its high deficit as a means to boost employment and facilitate recovery from the 1981-

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<sup>10</sup> This quotation is taken from a speech given by d'Aquino to a dinner meeting sponsored by the Carnegie Endowment for International Peace and the American Foreign Service Association in Washington on 18 April 1983.

<sup>11</sup> In 1980, the Trudeau-led Liberals returned to government after a brief hiatus. For the previous seven months, d'Aquino's undergraduate roommate, Joe Clark, had headed a Tory minority government. On 22 December 1979, the government suffered a defeat in the House on a vote of confidence, causing a general election, which the Liberals won handily.

82 recession.”<sup>12</sup> Despite the government’s professed commitment to a state-directed economic recovery, these broad-based fiscal initiatives failed to achieve any level of sustained growth and only slowly boosted national energy self-sufficiency.<sup>13</sup> According to two Canadian political scientists, the NEP simply contributed to the “widening gap between Ottawa’s expenditures and revenues.”<sup>14</sup> At the same time, unemployment figures and domestic interest rates rose concurrently to staggeringly high levels. The Canadian economy, in short, was in serious need of a dramatic resuscitation. Yet the Trudeau government, hesitant to embrace the market-oriented prescriptions employed by other national governments, seemed utterly incapable of stabilizing the country’s precipitous economic slide.

Throughout this period, the BCNI actively lobbied the government to reverse its policy direction with little success. It hosted, for instance, a meeting in Niagara Falls in 1982 between council members, Alberta premier Peter Lougheed, Ontario premier Bill Davis, and federal energy minister Jean Chrétien, in an attempt to reach a compromise to move beyond the damaging National Energy Program that was ultimately fruitless.<sup>15</sup> Nonetheless, soon after assuming the post of president, d’Aquino undertook a series of important structural and practical reforms that strengthened the organization and ensured that, when the waters of neo-conservatism (as it was called then) eventually reached the shores of Canada, the Council was well-positioned to participate in a spirited, yet

<sup>12</sup> Clarkson and Lewis, “The Contested State,” 307

<sup>13</sup> See Stephen Clarkson, *Canada and the Reagan Challenge: Crisis and Adjustment, 1981-1985*, (Toronto: James Lorimer & Company Publishers, 1985).

<sup>14</sup> Stephen Brooks and Lydia Miljan, *Public Policy in Canada: An Introduction* 4<sup>th</sup> Edition, (Toronto: Oxford University Press, 2003), 132

<sup>15</sup> The Council ultimately hosted two “energy summits” that failed to persuade the federal government to abandon the NEP. See Business Council on National Issues, *1976-1986*, (Ottawa: BCNI, 1986). Still, the BCNI continued to plead with government “that the rigidity of the National Energy Policy be eased, that the Candianization rules be relaxed, that curbs on foreign-owned firms be softened.” See Barry Critchley, “Business Points Finger at Ottawa’s Spending,” *Financial Post*, (Toronto: May 1 1982), E2.

rationale, debate about the country's future economic direction. First of all, d'Aquino moved its executive offices to Ottawa in order to establish closer relations with government. Second, he narrowed the Council's focus to six strategic national policy areas: federal-provincial relations, energy policy, national economic policy, economic development and industrial policy, social policy and the strengthening of government institutions. Third, he assiduously entered the Canadian public policy arena with greater confidence and vigour than his predecessor. He changed the Council's corporate style and profile. Finally, he convinced Rowland Frazee, the new chief executive officer of the Royal Bank of Canada, to serve as the Council's new chairman. Frazee, whose career with the country's largest bank had been temporarily interrupted during World War II while he served as a major with the Carlton and York Regiments, shared d'Aquino's long-term vision for the Council. Following his formal appointment on 6 May 1983, the two became a formidable pair which was instrumental in shaping the Council during this period of adjustment. "If they [Powis and Twaits] were the founders," one former member later noted, "then Tom was the architect."<sup>16</sup> These important internal reforms refashioned the Council into a powerful research and advocacy organization that was increasingly well-prepared to prescribe policy solutions to Canada's serious economic and social challenges. The days of passive reaction were over.

Along with these structural improvements, d'Aquino aimed to enhance the Council's capacity to produce well-researched policy documents that were written in readily understandable language. "Without solid homework, without good ideas and practical recommendations, few people would pay attention to us, no matter how

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<sup>16</sup> Interview with David Culver, Montreal, 13 December 2006.

vigorously we press our case," Frazee told a meeting of Council members.<sup>17</sup> Through its policy committee, the BCNI identified a handful of "priority issues," and concentrated its energy and expertise to ensure that it preempted the public discourse and truly influenced the policy process.<sup>18</sup> It was, in the words of its director of policy analysis, "in the picking and choosing business."<sup>19</sup> By employing a calculated strategy of issue management, the Council was able to effectively align its efforts with the sensibilities of its members. At the same time, the BCNI willfully branched out into areas of public policy not traditionally associated with business interests. It produced in the summer of 1984, for example, an extensive review of Canadian defence policy.<sup>20</sup> A BCNI task force on foreign policy and defense, which was advised by journalist Peter C. Newman, traveled widely to meet with military commanders and political leaders in Canada, the United States and Europe, in order to gain further insight into the country's defence capabilities and preparedness. Its subsequent report reached the lamentable conclusion that Canada's armed forces had badly deteriorated. "What we did not know," d'Aquino admitted to an audience at the Royal Military College in Kingston, Ontario, "was how badly weakened the armed forces were as a result of under funding and government neglect, and how seriously the effectiveness of the Canadian military had been eroded."<sup>21</sup> Determined to reverse this alarming trend, the BCNI urged the government to substantially increase the size of the military budget and to develop a more coherent and credible defense policy.

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<sup>17</sup> This quotation is taken from a speech given by Frazee at the annual general meeting of the BCNI in Toronto on 30 April 1986.

<sup>18</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

<sup>19</sup> Ibid.

<sup>20</sup> See Business Council on National Issues, *Canada's Defence Policy: Capabilities Versus Commitment*, A Position Paper of the BCNI, (Ottawa: BCNI, 1984). The defence paper was also published a year earlier; see Peter C. Newman, *True North, Not Strong and Free: Defending the Peaceable Kingdom in the Nuclear Age*, (Toronto: McClelland and Stewart, 1983).

<sup>21</sup> Ronald Anderson, "'True North Strong and Free' Incapable of Defending Itself," *Globe and Mail*, (Toronto: 21 June 1984), B2

These types of policy reviews raised the profile of the Council and demonstrated that, unlike the other business organizations, it was prepared to engage in a much broader policy debate. The Council was beginning to acquire a national voice.

Under d'Aquino's leadership, the Council also became far more active in its public advocacy. While it had previously expressed a general opposition to government intervention in the economy, its policy orientation, even broadly speaking, remained largely understated. Therefore, d'Aquino immediately placed a greater emphasis on public engagement. He emerged as the indisputable voice of the Council and articulated its message with greater clarity and zeal than his predecessors. He was crisp and direct in his opinions, an excellent trait in the age of the "sound bite." "Our philosophy is clear," he told a gathering of the Canadian-United Kingdom Chamber of Commerce in 1982. "We believe in a vibrant marketplace that will both inspire and reward creativity, innovation and hard work. Governments must remain at the service of the people, and so we believe in limited government and the dispersal of power."<sup>22</sup> In particular, he became a powerful advocate of a macro-economic framework that was predicated on a comprehensive strategy of inflation targets, deficit reduction and minarchism.

By 1982, the Trudeau government began to sense the creaking fatigue of the national economy and decided to open a discussion of Canada's economic options. The Royal Commission on the Economic Union and Development Prospects for Canada (RCEUDPC), which was established by the government in 1982 to examine the future economic prospects for the country and the effectiveness of its political institutions, provided d'Aquino with a commodious stage to unveil the Council's detailed economic

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<sup>22</sup> This quotation is taken from a speech given by d'Aquino to a meeting of the Canada-United Kingdom Chamber of Commerce in London on 7 September 1982.

program. The commission, the largest in Canadian history, was chaired by former Liberal finance minister, Donald Macdonald, and held two rounds of public hearings across the country. Just as d'Aquino had himself discovered in his years abroad, the commission soon discovered that the global economy was rapidly restructuring itself into huge trading blocs. “Globalization” and “competitiveness” were becoming bywords.

On 12 December 1983, d'Aquino and Fazee appeared before the commissioners. Their presentation, though not limited to economic matters, outlined an agenda that, if fully implemented, would effectively revolutionize the Canadian economy. “We believe that the most critical economic challenge facing the country is *to establish a macro-economic environment that allows Canada to achieve sustained, non-inflationary economic growth and improved competitiveness,*” d'Aquino declared with utmost clarity in his introduction. (Italics not added)<sup>23</sup> Such a reorientation, he maintained, was essential to Canada’s economic future. To this end, the BCNI proposed a series of economic reforms. First, it recommended that the government adopt a long-term strategy of deficit reduction. Eliminating the deficit would, according to the Council, “free up more capital of productive investment by the wealth-creating sector of the economy.”<sup>24</sup> Second, it supported a prudent monetary policy that eschewed excessive growth in the monetary supply. Third, d'Aquino expressed the Council’s dissatisfaction with the restrictive nature of government policy vis-à-vis foreign investment. “We recognize the need for some mechanism to scrutinize and monitor foreign investment,” he conceded. “But it should not constitute itself as a barrier or deterrent toward foreign capital, which

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<sup>23</sup> BCNI, National Priorities: A Submission to the Royal Commission on the Economic Union and Development Prospects for Canada, Presented by Rowland C. Fazee, Chairman, and Thomas P. d’Aquino, President, 12 December 1983, i

<sup>24</sup> Ibid., i

Canada will continue to need in the decades ahead.”<sup>25</sup> Finally, in his concluding remarks, d’Aquino addressed broader questions concerning the role of the state in the economy. The interventionist agenda of the government had, in the view of the Council, led to a host of labour market distortions, contributed to the rising deficit, and generally failed to achieve tangible benefits. Thus, d’Aquino proposed in its place an industrial policy and indeed a general policy outlook that took the form of “target-neutral measures.”<sup>26</sup> Although the elimination of a state-directed industrial policy would undoubtedly erode the existing substratum of corporate subsidies, the Council’s members were prepared to forego government aid in exchange for a more aggressive debt management strategy. D’Aquino was, in short, advocating ideological trade-offs. At the same time, the Council anticipated that its position was bound to provoke dissent within the greater business community and the general public. “The future is certain to bring with it an important national debate between those who favour a highly *dirigiste* and interventionist industrial policy and those who prefer to put their faith in a more free-market oriented approach to industrial development,” d’Aquino finished.<sup>27</sup>

The 1984 federal election campaign provided a national arena for such a debate. Moreover, it presented the Council with a tremendous opportunity to wade much deeper into the public discourse. When Trudeau’s successor, John Turner, whose tenure as prime minister had commenced on 30 June 1984, announced his intention to call a general election, the BCNI was elated. “The sooner the Canadian people elect a strong majority government,” d’Aquino declared, “the better it will be for the economy because

<sup>25</sup> Ibid., iii-iv

<sup>26</sup> Ibid., 31

<sup>27</sup> Ibid., 37

of the tough decisions and strong leadership required.”<sup>28</sup> The BCNI saw the campaign – marked by a dispassionate debate of ideas about Canada’s economic orientation – as an important step in the direction of economic revival. “This must be a contest of ideas, about policies, about how Canada will be governed during the next decade,” d’Aquino emphatically told a meeting of the Board of Trade of Toronto.<sup>29</sup> Over the course of the ensuing campaign, the Council advanced a comprehensive program of economic reform that was consistent with the positions it had espoused in the previous two years. Its policy priorities were, in the words of d’Aquino, “[the] requirements for a renaissance of growth in Canada.”<sup>30</sup> To improve the competitiveness of the economy, it urged the adoption of a national inflation target of four per cent or less. In the context of strained labour-management relations, it called for a radically new approach aimed at reducing conflict and raising productivity. Faced with growing protectionist sentiment in the United States, the Council recommended a reassessment of trade policy, to ensure improved access to the American market. In doing so, it flatly rejected protectionism and encouraged further trade liberalization. Lastly, it beseeched the major parties to take a more favorable view of foreign investment in Canada, and to reverse the overall growth of government intervention in the economy. “A good start would be to ensure that our votes are delivered to those who genuinely believe in limited government, and that we defeat those with statist ambitions,” d’Aquino proclaimed in a blunt warning to the major political parties.<sup>31</sup>

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<sup>28</sup> Canadian Press, “Business Groups are Elated by Election Call,” *Globe and Mail*, (Toronto: 10 July 1984), B3

<sup>29</sup> BCNI, Press Release, “Business Council President Outlines Economic Priorities for Coming General Election,” (Ottawa: 26 March 1984)

<sup>30</sup> *Ibid.*

<sup>31</sup> Canadian Press, “Business Groups are Elated by Election Call,” *Globe and Mail*, (Toronto: 10 July 1984), B3

The party leaders – Brian Mulroney and Turner, of the Conservatives and the Liberals respectively – appeared to heed the Council’s less than subtle admonition. Indeed, the two sought to distance themselves, both figuratively and literally, from the interventionist positions espoused by their parties in the previous decade. On one hand, Mulroney was a successful labour lawyer from the small Quebec town of Baie Comeau, whose fiery ambitions had vaulted him, following his defeat in the 1976 Progressive Conservative leadership race, into the executive suite of the Iron Ore Company of Canada, an American subsidiary. As the company’s president, he had exhibited a proclivity for conciliation, thereby reflecting his labour lawyer background. Further, it provided him with a unique vantage point from which to observe the ambivalent relationship between business and government. Mulroney, a general adherent of the same economic philosophy as Reagan and Thatcher, was determined to move the traditionally-centrist Tories markedly to the right of the Canadian political spectrum.<sup>32</sup> Turner, on the other hand, had worked ever since his departure from public life in 1975, as a corporate lawyer in Canada’s financial capital, “where he ingested the laissez-faire ideology of big business as well as its emotional opposition to the Trudeau government’s economic interventionism.”<sup>33</sup> Unlike Trudeau, he was amicable to the demands of the private sector and discernibly more comfortable hobnobbing with business leaders. His coronation as the rightful heir to the Liberal leadership seemed to represent a dramatic shift in the party’s macro-economic outlook. All in all, the leaders’ respective

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<sup>32</sup> “I am a Conservative,” Mulroney declared in the preface of his political manifesto, “but one does not need to wear a label to believe that governments should balance budgets; that industry, being the motor of the country, must be kept turning; that initiative should be rewarded; that relations between labour and management should be civil; that research and development are the keys to our national well-being.” See Mulroney, *Where I Stand*, (Toronto: McClelland and Stewart, 1983), 7.

<sup>33</sup> Clarkson, *Big Red Machine*, 113

commitments to market-oriented solutions to Canada's economic woes were warmly received by the Council, which rightly sensed that the public policy debate was gradually being steered in its direction. Indeed, one of the pay-offs of taking the proactive, advocacy route was that the Council came to play a CCF-like role – promoting new ideas in the forum of Canadian opinion and pushing them into the nation's political centre.

On 4 September 1984, the Progressive Conservative Party, led by Mulroney, who unlike his opponent had virtually no parliamentary experience, won a decisive electoral victory, totaling 211 seats.<sup>34</sup> The Tories inherited a Canadian economy that was gripped by a powerful economic recession. In its final years, the Trudeau government's attempts to stimulate a recovery had achieved negligible success. Throughout the election campaign, Mulroney had harshly criticized Trudeau's interventionist strategy and, in its place, "advocated a state that provided a context for private sector growth without making decisions for it."<sup>35</sup> Mulroney's message of limited government and free enterprise was well-received by the BCNI, whose relationship with Trudeau – principally in the area of economic management – had been at best, distant, and at worst, acrimonious.<sup>36</sup> In particular, the Council was encouraged that the new government seemed sympathetic to the demands on the private sector and better understood the emerging shift towards market liberalization in the global economy.

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<sup>34</sup> Both Clarkson and Sawatsky provide full accounts of the 1984 election campaign. In each case, they argue that the uncharacteristically inept nature of the Liberal campaign, which was at times disorganized and uncoordinated, greatly contributed to the massive Tory victory. See Clarkson, *Big Red Machine*, 109-136; and Sawatsky, 237-268.

<sup>35</sup> Clarkson and Lewis, "The Contested State," 307

<sup>36</sup> See Jock Finlayson, *A BCNI Perspective on the Mulroney Government's Agenda for Economic Renewal*, (Ottawa: BCNI, April 1985).

The Council immediately sought to forge a constructive relationship with Canada's new government.<sup>37</sup> Speaking on behalf of the BCNI, d'Aquino duly congratulated Mulroney and underscored his belief that the result "usher[ed] in a new era and unique opportunities."<sup>38</sup> At the same time, the election of a Tory government presented some fresh challenges for the Council. Indeed, the massive Conservative victory fundamentally altered the political landscape. Many of those in the public-affairs consulting industry who had established lucrative businesses, due largely to their deeply-rooted connections with the Liberal Party, quickly found their access to cabinet ministers and senior political staff sharply reduced. Others vigorously recruited prominent Tory insiders to their firms to serve as political intermediaries. The Council, by contrast, was already well-positioned to advance its agenda with the new government. By 1984, d'Aquino had been active in Ottawa for nearly ten years, both as the president of Intercounsel and as the chief executive of the BCNI. Over the course of this period, he had cleverly established close relationships, not only with key politicians, but more importantly, with deputy ministers and senior public officials in the public service. Thus, he was able, according to Hart, to "ma[k]e the transition much more flawlessly than most in the business community."<sup>39</sup> He had made himself an Ottawa "insider;" business leaders had since the golden years of C.D. Howe been quintessential "outsiders" in the nation's capital. Armed with an ambitious economic agenda, d'Aquino wasted little time in fostering a cooperative relationship with the prime minister-elect and his new government.

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<sup>37</sup> See Ann Auman, "Massive Tory Win Brings Applause from Business," *Toronto Star*, (Toronto: 5 September 1984), E5.

<sup>38</sup> BCNI, Press Release, "Business Council Head Says Election Result Ushers in a New Era and Unique Opportunities," (Ottawa: 5 September 1984)

<sup>39</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

Days after the new government assumed office, the Council released a major report on the worrisome state of the country's public finances.<sup>40</sup> Its deficit study, entitled "The Federal Deficit: Some Options for Expenditure Reduction," was prepared under the direction of the BCNI's task force on national finance, chaired by Darcy McKeough, chairman and president of the Union Gas Limited.<sup>41</sup> McKeough, who had served as Ontario's treasury minister for nearly four years, quickly became "one of the most active people in the entire council."<sup>42</sup> In an attempt to preempt the government's economic agenda, the Council recommended that the government make deficit and spending reduction an urgent priority. In particular, it proposed that a spending reduction in the range of \$5-10 billion be implemented over a five year period. "The Council," McKeough explicated, "has not addressed in this paper the issue of possible tax hikes as a way of reducing the deficit. Expenditure reduction is the first priority, and this will require a great deal of courage and decisive action on the part of the new government."<sup>43</sup> To assist the government to this end, the Council assessed the scope for reducing federal expenditures by examining the major spending "envelopes" and the programs contained within them. Consistent with its previous policy stances, the BCNI recommended significant spending reductions in the government's economic development programs. Agricultural subsidies, transportation subsidies, and government grants to business and for regional development were particularly singled out. With respect to the latter, the study

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<sup>40</sup> The government had accrued annual deficits in excess of \$10 billion each year since 1977 and in excess of \$30 billion since 1983. As a result, the national debt reached nearly \$225 billion by the end of the 1984-1985 fiscal year. These figures are taken from a speech given by d'Aquino to the Rotary Club of Ottawa on 20 January 1986.

<sup>41</sup> See Business Council on National Issues, *The Federal Deficit: Some Options for Expenditure Reduction*, (Ottawa: BCNI, 2 August 1984).

<sup>42</sup> Pat Brennan, "Darcy's Trials and Tribulations," *Toronto Star*, (Toronto: 24 October 1985), E5

<sup>43</sup> BCNI, Press Release, "Business Leaders Call for Action on Deficit and National Debt," (Ottawa: 19 September 1984)

concluded that “little evidence exists to suggest that government grants are needed to support viable business and investment activity. Nor is it clear that public servants in Ottawa are well-placed to ascertain the merits of business investment proposals.”<sup>44</sup> At the same time, the Council, as it would frequently throughout this period, carefully refrained from advocating deep-seated cuts to social program spending. Rather, it encouraged the government to adopt a more selective approach to the statutory targeting of social programs, such as the Family Allowance Payments and Old Age Security, to ensure that, while the disadvantaged would continue to receive appropriate levels of financial assistance, high-income earners would be effectively cut off. It was, in short, challenging the principle of universality. “The guiding principle of progressive social policy,” d’Aquino affirmed to a meeting of the Rotary Club of Ottawa, “...must be to assist those in need – not those who are manifestly well-off; or even decently well-off; not those who, in the presence of opportunity and in the absence of impediment, choose not to be productive members of society.”<sup>45</sup> Now actively engaged in the Canadian public policy debate, the Council became the principal champion of debt management in the business community – a position it would continue to unfailingly advance for the remainder of the decade.

While the Conservative government failed, in the eyes of the Council, to adequately address the deficit in its first budget, other aspects of its economic program, particularly the decision to dismantle the much-maligned Foreign Investment Review

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<sup>44</sup> Ibid.

<sup>45</sup> This quotation is taken from a speech given by d’Aquino to the Rotary Club of Ottawa on 20 January 1986.

Agency (FIRA), were very well-received.<sup>46</sup> Ever since the agency's inception in 1974, members of the Council, particularly those who represented foreign-owned firms, had voiced their robust opposition to FIRA. Indeed, it had been one of the main reasons behind the organization's conception. According to d'Aquino, "[it was] one of the reasons why a person like Twaits perhaps felt it a little more sharply because to him he felt that interventionism not only meant interventionism in the context of what was going on in domestic economic policy, but also the impact it was having on the role of foreign-owned multinationals."<sup>47</sup> In the context of Canada's economic slowdown, FIRA was increasingly viewed as a hindrance to recovery.<sup>48</sup> Beginning in early 1982, the Council had actively campaigned for its abrogation. "To economic nationalists, I say, let's have a little less paranoia and a little more confidence in our abilities to Canadianize our industries free of oppressive regulations," d'Aquino said in a speech to the Toronto Board of Trade in March 1984.<sup>49</sup> Throughout the subsequent election campaign, the Council underscored the tremendous need for foreign capital to increase employment and productivity. To its delight, the Tories embraced the Council's position, and "ran against FIRA as a major campaign position."<sup>50</sup> Soon after assuming office, the new government undertook to alter the perception that Canada was ambivalent to foreign investment. In

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<sup>46</sup> "The BCNI would have preferred a more vigorous assault on the national debt relying more heavily on expenditure reductions," d'Aquino said in a public statement, following the release of the budget. See BCNI, Press Release, Federal Budget is Courageous and Imaginative, says Head of the BCNI, (Ottawa: 24 May 1985).

<sup>47</sup> Interview with Thomas d'Aquino, Ottawa, 19 January 2007.

<sup>48</sup> Although most economists now agree that the FIRA never served as a significant obstacle to foreign investors, its enactment altered the perception of the Canadian market as an open and accessible, and, as a result, "deterred investment from entering Canada." See Charles Barrett, Christopher Beckman and Duncan McDowall, *The Future of Foreign Investment in Canada*, (Ottawa: The Conference Board of Canada, 1985), vii.

<sup>49</sup> Bob Hepburn, "Foreign Money can Create Jobs Ottawa Told," *Toronto Star*, (Toronto: 27 March 1984), D1

<sup>50</sup> Earl H. Fry and Lee H. Radebaugh, *Canada-U.S. Economic Relations: In the Conservative Era of Mulroney and Reagan*, (Salt Lake City: Brigham Young University Press, 1985), xi

his first official visit to the United States, for example, Mulroney famously proclaimed that “Canada is open for business again” to a meeting of 1450 American business executives.<sup>51</sup> Soon afterwards, his government dramatically reduced foreign investor regulations on entering Canada, but maintained a process for large corporate takeovers.<sup>52</sup> In June 1985, after passing the necessary facilitating legislation, the government terminated the Foreign Investment Review Agency and replaced it with a new institution, Investment Canada. Although its structure resembled that of FIRA, its main difference lay in its tenor. Like the Council itself, Investment Canada was designed to be a proactive agency, enticing new investment to Canada and not, like FIRA, shunning it in a reactive fashion. The *Investment Canada Act* mandated the modified agency with the responsibility of encouraging domestic and foreign capital into Canada. The government had, with the ardent support of the Council, “propelled Canada from near one end of the screening spectrum towards the other.”<sup>53</sup>

Along with establishing closer relations with the government, the Council also committed itself to mending the wounded relationship between business and labour. Indeed, the relationship between the two “partners in the production process,” had badly deteriorated in the 1970s.<sup>54</sup> Marked by mutual antagonism and hyperbolic rhetoric, the situation was, in the words of d’Aquino, “appalling and...inexcusable.”<sup>55</sup> “Far too long in Canada,” he continued, “capital and labour have viewed each other with thinly disguised

<sup>51</sup> Jamie Murphy, “Hanging out the Welcome Sign,” *Time Magazine*, (24 December 1984): 27.

<sup>52</sup> See Elizabeth Smythe, *Free to Choose? Globalization, Dependence and Canada’s Changing Foreign Investment Regime, 1957-1987*, Ph.D. Dissertation, (Carleton University, Department of Political Science, 1994), 249.

<sup>53</sup> Gordon Laxer, *Open for Business: The Roots of Foreign Ownership in Canada*, (Toronto: Oxford University Press, 1989), 2

<sup>54</sup> Virginia Galt, “Business, Labour Mull New Consultation Move,” *Globe and Mail*, (Toronto: 31 January 1983), B1

<sup>55</sup> Jack McArthur, “Truth: Are we Canadians Ready to cope with it?” *Toronto Star*, (Toronto: 11 February 1982), D1

hostility, and often they have resorted to open warfare at enormous costs to both, and to the country.”<sup>56</sup> As a result, the Council initiated a program of reconciliation, designed to facilitate more constructive dialogue. D’Aquino purposefully abandoned the combative language of the past and attempted to forge personal relationships with prominent members of the Canadian labour movement.<sup>57</sup> He called Shirley Carr, the first female president of the CLC, “a friend,” and invited other union leaders to participate in a series of meetings at the beginning of the decade.<sup>58</sup> The ensuing discussions – though at times, rancorous and unproductive – resulted in the creation of the Canadian Labour Market and Productivity Centre in early 1984.<sup>59</sup> The bilateral organization, comprised largely of Council members and labour representatives from the CLC, represented a fundamental shift in the area of industrial relations. Although its achievements were limited, the centre provided a useful venue for constructive dialogue on the many issues facing the Canadian economy, such as productivity and competitiveness and, more importantly, signaled that the Council, quite unlike other business organizations, was prepared to engage labour in a far more productive manner.<sup>60</sup>

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<sup>56</sup> BCNI, Press Release, “Business Council President Comments on International Recover, Williamsburg Summit, Canadian Economic Policy, and Federal Budget,” (Ottawa: 13 May 1983)

<sup>57</sup> See Gail Lem, “Dialogue is Regarded as Vital for Progress,” *Globe and Mail*, (Toronto: 25 April 1983), B15; and Thomas Walkom, “Business, Labour Stress Cooperation,” *Globe and Mail*, (Toronto: 13 December 1983), B3.

<sup>58</sup> Charlotte Montgomery, “Government, Business Shun CLC Talks,” *Globe and Mail*, (Toronto: 8 January 1986), A4

<sup>59</sup> See Wilfrid List, “Centre to Focus on Labour,” *Globe and Mail*, (Toronto: 27 January 1984), B1.

<sup>60</sup> According to Langille: “...the striking difference [between the BCNI and the Business Roundtable] lies in their relations with labour. Whereas the Business Roundtable had its origins in the struggle against organized labour, and has been a vociferous opponent of the labour legislation favoured by the AFL-CIO, the Business Council taken a more enlightened approach... Rather than attacking the powers of union, the Canadian business leaders established a dialogue with labour leaders so that the latter might gain a better appreciation of market forces and be more receptive to concessions, or at least willing to join business in a tactical alliance against excessive state intervention, as happened in the 1970s,” see Langille, 50.

During this critical period in the Council's development, d'Aquino emerged as a highly adroit business diplomat. Like Massey, his unique combination of sharp intellect and natural bravado served his constituents extremely well. He was, in the words of McKeough, "a public relations man and a deep thinker rolled into one."<sup>61</sup> His ability to build internal consensus on the predominant economic issues of the decade was extraordinary, given the wide diversity of sectoral and regional representation on the Council. As one prominent member said, "it is not easy to get 150 chief executives to agree on anything."<sup>62</sup> Yet, consensus had been achieved in virtually every task force since 1981. The Council's task force structure, the principal vehicle of member participation, became the internal mechanism from which d'Aquino was able to balance conflicting positions and to reach satisfactory compromises. Therefore, the Council was able to maintain coherence in its policy positions and consistency in its public statements.

If his ability to achieve internal consensus was striking, his dealings outside the organization were equally impressive. Like any good diplomat, d'Aquino punctiliously built bridges with the Council's correlative partners – government and labour. By employing the traditional means of diplomacy, he was able to establish a positive foundation for partnership that was previously lacking in tripartite relations. An adversarial approach was, in short, shunned in favour of consensus-building. As a result, d'Aquino was able to advance the Council's policy agenda in a far more auspicious environment. The aptly-described "d'Aquino touch" was characterized by a mixture of quiet diplomacy and public advocacy.<sup>63</sup> Quiet diplomacy took the form of regular contact with political leaders and the heads of various constituencies, including other business

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<sup>61</sup> Interview with Darcy McKeough, Toronto, 8 November 2006.

<sup>62</sup> Interview with David Culver, Montreal, 13 December 2006.

<sup>63</sup> Ibid.

organizations and the labour movement. Public advocacy was carried out in the numerous public appearances and speeches he made. This penchant for effective diplomacy helped d'Aquino establish an aura of credibility that evaded other business representatives.<sup>64</sup>

Under his leadership, the Council also assumed a much broader and proactive stance, introducing into the national debate items it wished to see as priorities, and then awaiting the political response. Much of its success during the early 1980s can be attributed to its ability to anticipate emerging public policy issues with thoughtful, well-researched prescriptions, which d'Aquino articulated with his usual flair. By truly "getting out in-front" of a particular issue the Council was in a far better position to steer the debate.<sup>65</sup> Indeed, its success in persuading the government to purge FIRA served as a notable example. The decision to focus both on economic and non-economic issues, moreover, represented a break from the more limited, traditional – usually reactive – perspective from which the business community had often contributed to public affairs in the past. Aided by an enhanced capacity for primary research, the Council's positions became both lucid and defensible.

The functional and institutional reforms that d'Aquino had undertaken had strengthened the Council. Building upon the broad vision of the organization's founders, he had shaped the BCNI, in four short years, into a highly cogent participant in the Canadian public policy arena. More cohesive in its internal structure and sophisticated in its advocacy approach, the Council emerged as the most influential business organization

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<sup>64</sup> For contrarian viewpoints of d'Aquino and the BCNI, see Murray Dobbin, *The Myth of the Good Corporate Citizen: Democracy Under the Rule of Big Business*, (Toronto: Stoddart Publishing, 1998); and Carroll and Shaw, "Consolidating a Neoliberal Policy Bloc in Canada, 1976 to 1996,"

<sup>65</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

in Canada. Despite these tremendous strides, the Council's greatest challenge still lay ahead. The prevailing winds of change – pushing nations towards increased competitiveness and broader markets – that d'Aquino had observed in Europe had reached Canada after all.

## **Chapter Four: “Blowin’ in the Wind”: The BCNI and the Free Trade Story**

On a brief campaign stop in Thunder Bay, Ontario, during the 1983 Progressive Conservative leadership race, a surge of wind agitated the majestic waters of Lake Superior. The lake, which had supplied the life-blood of the resource-based community’s economic engine for over two centuries, crashed against the rocky shore. While the wind, blowing across from the American share of the mighty lake, was powerful enough to command the waves, it had seemingly little effect on Brian Mulroney. Speaking to an audience of political supporters and curious onlookers, he addressed the issue of continental free trade without equivocation:

Now, there’s a real *beaut* for you. Now there’s a real honey – free trade with the Americans! Free trade with the Americans is like sleeping with an elephant. It’s terrific until the elephant twitches, and if the elephant rolls over, you’re a dead man. I’ll tell you when he’s going to roll over – he’s going to roll over in times of economic depression and they’re going to crank up the plants in Georgia and North Carolina and Ohio and they’re going to be shutting them down here. That’s why free trade was decided on in the election of 1911. It affects Canadian sovereignty, and we’ll have none of it, not during the leadership campaigns, nor at any other times.<sup>1</sup>

Mulroney’s ardent position – one that he would espouse with equal fervour on tour stops in similar communities through the leadership campaign – reflected a deeply-rooted disinclination on the part of the Canadian political establishment to attach its electoral fate to this highly divisive economic and trade matter. When Prime Minister Sir Wilfrid Laurier and his Liberal government succeeded in negotiating a tentative free trade agreement for natural products and some manufactured goods with the United States in late January 1911, the subsequent debate and election turned into a plebiscite on the

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<sup>1</sup> This quotation was later re-printed in Peter C. Newman, *The Secret Mulroney Tapes: Unguarded Confessions of a Prime Minister*, (Toronto: Vintage Canada, 2006), 181-182; and Linda Deibel, “Long Battle over Free Trade Coming to an End,” *Toronto Star*, (Toronto: 24 December 1988), A1.

nature of Canada. The Conservative Party, led by Robert Borden, ran an effective election campaign with the financial backing of key members of the Canadian manufacturing community who feared the implications of increased American competition. Borden's message of Canadian nationalism – or perhaps British imperialism – versus the continentalization of North America, with the United States as the dominant centre, appealed to voters who rewarded him with a decisive electoral victory. Laurier's devastating defeat signaled the end of the reciprocity agreement that his government had negotiated, but, more importantly, it would serve as a poignant historical precedent that politicians of all partisan stripes heeded with utmost caution.

The Canadian government's unwillingness to pursue bilateral free trade after 1911 was due, as Mulroney's colourful rhetorical flourish in Thunder Bay suggested, primarily to domestic pressures and concerns with national sovereignty. While the government had reduced trade barriers with the United States through quietly-negotiated treaties in 1935 and 1938, Prime Minister Mackenzie King, the consummate political operator, never touched the overt issue of free trade. His anxiety with the prospect of continental free trade was best exemplified by the aborted 1948 bilateral negotiations. Following the advice of Norman Robertson, the Canadian high commissioner to London, the King government elected to commence trade negotiations with its American counterpart in January 1948. Robertson had personally observed the economic cooperation between the U.S. and Europe in the context of the Marshall Plan and, as a result, concluded that Canadians should "be thinking of a real reciprocity agreement with the United States."<sup>2</sup> Back in Ottawa, mandarins like J.J. Deutsch and politicians like C.D.

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<sup>2</sup> Edelgard Mahant and Graeme S. Mount, *Invisible and Inaudible in Washington: American Policies Toward Canada*, (Vancouver: UBC Press, 1999), 167

Howe embraced the same logic. Despite some initial reservations, a dollar crisis in 1947 forced the prime minister to grudgingly reverse his position. After limited discussion within the cabinet, King accepted the high commissioner's counsel and initiated trade talks with the U.S.

Journalist Lawrence Martin has characterized the ensuing trade discussions as "one of the most top-secret negotiations in bilateral history."<sup>3</sup> In a rather hasty manner, delegations from the two countries finalized a draft treaty. The collaborative agreement proposed the removal of all tariffs over a five year transition period. Members of the Canadian negotiation team, and prominent cabinet ministers, such as Howe, wholeheartedly applauded the free trade initiative. Indeed, it seemed that the King government had successfully achieved a free trade agreement with the United States, something that Laurier, the prime minister's political mentor, had failed to deliver. As others praised the tentative agreement, however, King unexpectedly "developed cold feet."<sup>4</sup> Largely influenced by the fate of the Laurier government in 1911, and his own fears that the "Americans wanted to take over Canada," King chose to abruptly halt the negotiations.<sup>5</sup> Political and emotional factors thus asserted themselves over the cooler rationale of economics. The prime minister's position remained firm, despite opposition from the caucus, and the free trade initiative was abandoned. As Bliss neatly sums it up, "free traders still feared the power and influence the organized manufacturers could bring

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<sup>3</sup> Lawrence Martin, *The Presidents and the Prime Ministers: Washington and Ottawa Face to Face; the Myth of Bilateral Bliss 1867-1982*, (Toronto: Doubleday Canadian Limited, 1982), 159

<sup>4</sup> Granatstein and Hillmer, *Prime Ministers*, 99

<sup>5</sup> Bliss, *Right Honourable Men*, 177

against any frontal attack on the grand old [National] policy.”<sup>6</sup> Thereafter, reciprocity discussions were effectively shelved for another thirty-five years.

By 1983, a combination of economic and political forces had worked in tandem to produce the perfect storm. Faced with rising protectionist sentiment in the U.S. and a stagnant economy in Canada, the Business Council on National Issues, captained by d’Aquino, was well-prepared to navigate the treacherous waters of continental free trade to reach its preferred policy destination. The Council had begun to examine the issue in earnest in 1981, soon after d’Aquino had been hired. As Mulroney stood on the banks of Lake Superior in 1983, he had little idea that winds of change – propelled by the Council – would soon move him with the same force as the crashing waves in his backdrop.

Like the country’s parliamentarians, the Canadian business community had traditionally been averse to any continental free trade arrangement. As David Culver, the former chief executive officer of Alcan Aluminum Limited and the BCNI’s chairman from 1986 to 1989, later noted, “...it [the Canadian business community] certainly did not have a track record of seeking out competition.”<sup>7</sup> On the contrary, the private sector establishment – dating back to the era of Sir John A. Macdonald – had been the country’s foremost advocate of protectionism. Led chiefly by the Canadian Manufacturers’ Association, Canadian business had made it abundantly clear to successive federal governments that the price of its much-coveted political support was a tariff regime that insulated domestic enterprise from international competition. Indeed, this powerful fusion of business and political interests was manifestly inherent in Canadian trade policy for much of the twentieth century. In the aftermath of the 1911 general election,

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<sup>6</sup> Bliss, *Northern Enterprise*, 458

<sup>7</sup> Interview with David Culver, Montreal, 13 December 2006.

successive Canadian governments – cognizant of their symbiotic pact with powerful elements of the business community – had exhibited considerable dexterity in evading the tenacious pull of economic continentalism.

While the historic foundations of Macdonald’s National Policy remained deeply entrenched, the federal government was, on occasion, prepared to look beyond the small Canadian economy to the alluring markets of the United States and abroad. After World War II, for instance, Ottawa had been prepared to engage in multilateral tariff reduction through the General Agreement on Tariffs and Trade (GATT). At times, it had also entertained the idea of “managed trade” with the United States. In January 1965, Prime Minister Lester B. Pearson and American President Lyndon B. Johnson formally signed the Automotive Products Trade Agreement, or what soon came to be called the Auto Pact, at the president’s rustic Texas ranch. The bilateral agreement, which effectively dismantled tariffs on all vehicles and automotive parts between the two countries, instantly marked a new path for continental economic partnership.

Its genesis lay in the deterioration of the Canadian auto industry in the late 1950s when the branch plant model of Canadian industrial development began to unravel. Decades earlier, the “big three” carmakers – General Motors, Ford and Chrysler – had established branch facilities in the central Canadian industrial heartland to serve the domestic market. “For a time,” historian Dimitry Anastakis explains, “it seemed as if the growing and prosperous auto sector would finally break Canada out of its resource-based economy and lead it into a securely industrial economic age.”<sup>8</sup> But the branch plant model was inherently unsustainable. Short production runs, higher costs and little spin-

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<sup>8</sup> Dimitry Anastakis, *Auto Pact: Creating a Borderless North American Auto Industry, 1960-1971*, (Toronto: University of Toronto Press, 2005), 3

off of “know-how” in Canada ultimately undermined its long-term durability. By the early 1960s, the underlying cracks began to surface. Declining profitability led to widespread fears that the big three would abandon their Canadian operations and shrill nationalist cries for a radical restructuring of the domestic industry. In this chaotic political environment, the Canadian government entered into tripartite negotiations with its American counterpart and the auto manufacturers in the hopes of achieving a “mutually satisfactory solution.”<sup>9</sup> The Auto Pact, which emerged from these negotiations, rationalized the North American auto industry along continental lines. In the words of the agreement, it would enable “the industries of both countries to participate on a fair and equitable basis in the expanding total market of the two countries.”<sup>10</sup> The industry would become borderless, but with carefully stipulated regulations that ensured that the flows of parts and finished autos across the border contained sufficient national content. The Auto Pact became an enduring example of what political economists and trade analysts call managed free trade: free trade that is closely managed within a single sector of the economy. At the same time, as Anastakis notes, “it set Canada along a particular, continental path.”<sup>11</sup> The burning light of the National Policy was beginning to dim.

Nearly seven years later, Trudeau attempted to carve out a new transatlantic path for Canadian exports. His “Third Option” trade strategy was developed in the autumn of 1972 in response to the U.S. President Richard Nixon’s New Economic Policy (NEP), a virulently protectionist policy document that threatened Canada’s historically-privileged access to the American market. The “Nixon Shock” of 15 August 1971 identified

<sup>9</sup> Hart, *A Trading Nation*, 243

<sup>10</sup> The terms of the agreement are summarized in Jon R. Johnson, “The Effect of the Canada-U.S. Free Trade Agreement on the Auto Pact,” In Maureen Appel Molot (ed.) *Driving Continentally: National Policies and the North American Auto Industry*, (Ottawa: Carleton University Press, 1993), 255-260.

<sup>11</sup> Anastakis, 182

Canadian imports as a principal contributor to the American growing trade deficit, and as a result, proposed the imposition of a 10 per cent import surcharge.<sup>12</sup> Indeed, the announcement of the NEP and Nixon's subsequent refusal to grant Canada an exemption bewildered Ottawa. As historian Bruce Muirhead notes, "The Canadians continued to be perplexed as to why they did not fit into a special category as they had in the past, especially as their condition vis-à-vis the U.S. had not changed since the 1960s."<sup>13</sup> The special trade relationship between Canada and the United States appeared to be over.

After failing to achieve an exemption from the import surcharge through diplomatic channels between Ottawa and Washington, the government began to assess the perverse implications of "Nixonomics" on Canadian export patterns.<sup>14</sup> As Muirhead points out, "For the first time since 1945, at least in a serious and coordinated way, Ottawa began thinking of a commercial world in which the U.S. did not bulk so large."<sup>15</sup> After reviewing a series of options – including the negotiation of a comprehensive free trade agreement with the U.S. – the government unveiled its Third Option.<sup>16</sup> Its objective was to diversify Canadian trade by pursuing alternative export markets that would serve as "a counterweight to the enormous power of the United States."<sup>17</sup> Determined to lessen Canada's vulnerability to American protectionist actions, the government strategically oriented its focus to the European Economic Community (EEC), Japan and other developing economies.

<sup>12</sup> Bruce Muirhead, "From Special Relationship to Third Option: Canada, the U.S. and the Nixon Shock," *The American Review of Canadian Studies*, (Spring 2004), 439

<sup>13</sup> Muirhead, 445

<sup>14</sup> Clarkson, *Canada and the Reagan Challenge*, 8

<sup>15</sup> Muirhead, 448

<sup>16</sup> See Mitchell Sharp, "Canada-U.S. Relations: Options for the Future," *International Perspectives*, Special Issue, (Autumn 1972); and Sharp, "Reflections on Foreign Policy During the Trudeau Years," *International Perspectives*, (Nov./Dec. 1986): 3-7.

<sup>17</sup> J.L. Granatstein and Robert Bothwell, *Pirouette: Pierre Elliot Trudeau and Canadian Foreign Policy*, (Toronto: University of Toronto Press, 1990), 158

Despite the Third Option's ambitious mandate, it soon became apparent that the cultivation of alternative markets was more difficult than initially assumed. In many ways, in fact, it underlined Trudeau's naïve understanding of the mechanics and fundamental dynamics of world trade. In the post-war era, Canadian business had become increasingly conditioned to a North-South trade axis. The obstacles of culture, language and distinct business practice seemed too obdurate to overcome. Thus, as the University of Toronto historian Robert Bothwell rightly notes, "over the next six or seven years the Canadian government sought to implement the Third Option, only to find that trading partners other than the United States were hard to come by."<sup>18</sup> Although Canadian trade delegations had, in some cases, established useful international contacts and engaged in some preliminary discussions, "the effort to diversify Canada's trade...had not worked."<sup>19</sup> While Trudeau's Third Option ultimately failed to propel Canada outside of the American orbit, he was hardly alone: "every Canadian government after 1945 hoped to diversify trade and every one left office with an increase in the proportion of trade with the Americans."<sup>20</sup> The eventual demise of the Third Option had broad implications for Canadian trade policy. Its failure placed Canada back on the continental path and increasingly towards bilateralism. The world was rapidly changing.

By the beginning of the 1980s, the intellectual case for trade liberalization was growing markedly stronger. The wave of continental integration that d'Aquino had observed in Europe was beginning to spread across the globe. The Treaty of Rome, which was formally signed on 25 March 1957 by six European countries (Germany,

<sup>18</sup> Robert Bothwell, *Canada and the United States: The Politics of Partnership*, (Toronto: University of Toronto Press, 1992), 110

<sup>19</sup> Granatstein and Bothwell, *Pirouette*, 175

<sup>20</sup> Robert Bothwell, "Canadian-United States Relations: Options for the 1970s," *International Journal*, (Winter 2002-2003), 74

France, Italy, Belgium, the Netherlands, and Luxembourg), gave birth to the European Economic Community (EEC), a powerful economic bloc.<sup>21</sup> Designed to facilitate closer economic relations on the European continent, the EEC reflected a new model of regional multilateralism that was soon reproduced elsewhere. The Association of Southeast Asian Nations (ASEAN), comprised of Indonesia, Malaysia, the Philippines, Singapore and Thailand, was formed on 8 August 1967 to resolve regional trade disputes and to conduct negotiations with other countries outside of the bloc with the intention of promoting external trade relations.

In Canada, a number of leading economists, such as Paul and Ron Wonnacott, produced a series of notable studies, which challenged the preponderance of protectionism.<sup>22</sup> At the same time, the department of external affairs undertook a comprehensive trade policy review commencing in the summer of 1982. Under the management of the then assistant-secretary for trade Derek Burney, who Doern credits as being, “literally a one-man process pushing it [bilateral free trade],” the departmental task force, although still predisposed to multilateralism, was increasingly prepared to entertain the prospects of continental bilateralism.<sup>23</sup> In particular, it raised the possibility of pursuing sectoral free trade arrangements with the United States. Such an incremental approach, the task force submitted, would diminish the intrinsically asymmetrical nature of bilateral relations, and as a result, allow Canada to maintain a greater measure of

<sup>21</sup> The European Economic Community or “Common Market,” founded in 1957, became in 1987 the European Community, which ultimately evolved in 1992 into the European Union, its current nomenclature. See Yergin and Stanislaw, 310-311.

<sup>22</sup> See Ronald J. Wonnacott, *Canada's Trade Options*, (Ottawa: Economic Council of Canada, 1975); Wonnacott, *Canada/US Free Trade: Problems and Opportunities*, (Toronto: Ontario Economic Council, 1985); and Wonnacott, “Toward Free Trade between Canada and the United States: What are the Potential Effects of a Broad Canada-United States Free Agreement?” (with Paul Wonnacott), *Canadian Business Review*, Vol. 12, #3, (Autumn 1985): 12-16.

<sup>23</sup> Interview with Bruce Doern, Ottawa, 23 October 2006.

economic autonomy. The sectoral option, moreover, was, as Doern and Tomlin note, “not without precedent, since Canada already had three sectoral free trade arrangements with the U.S., covering automobiles, defence materials, and agricultural machinery.”<sup>24</sup> This policy compromise, in short, offered the Canadian government a means in which to acquire enhanced access to the American market without offending the public’s sensibilities concerning national sovereignty. For these reasons – both political and pragmatic – the departmental task force recommended that the Trudeau government adopt a sectoral approach as the centerpiece of its trade liberalization agenda.<sup>25</sup> If, however, the intellectual case for free trade was increasingly firm, the issue – at least politically speaking – remained, according to Hart, “an albatross.”<sup>26</sup>

Although bilateral free trade was still widely viewed as political anathema in Ottawa, the economic and political climate in Canada was undergoing a gradual, yet discernible, transformation. A debilitating recession – the most severe since the depression of the 1930s – gripped the economies of Canada and the U.S by late 1981. In both countries, unemployment levels steadily rose and economic output declined substantially. In addition, the Tokyo Round of multilateral trade discussions, which had commenced in the mid-1970s, came to a conclusion in 1979, with mixed results. Although it had facilitated an international consensus in some key trade-related areas, such as custom duties, a number of seemingly intractable problems still persisted.<sup>27</sup> In this context of economic and legal uncertainty, protectionist forces in the United States

<sup>24</sup> Doern and Tomlin, 20

<sup>25</sup> The proposal was first broached in a 1982 background paper entitled, *A Review of Canadian Trade Policy*, which was produced to aid the international trade minister, Gerald Regan, in his consultations with business, labour and the provincial governments. See Government of Canada, *A Review of Canadian Trade Policy*, (Ottawa: Department of External Affairs, 1982).

<sup>26</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

<sup>27</sup> For a fuller discussion of the outcome of the Tokyo Round, see Hart, *A Trading Nation*, 308-338.

advanced an increasingly salient message that beguiled a far wider audience. Indeed, a steady increase in the U.S. current account deficit provoked widespread despondency with multilateralism in general and the world trading system in particular. Therefore, the Reagan administration – determined to halt what was perceived as the unfair trading practices of its major trading partners – was politically obliged to introduce a series of aggressive measures designed to curb imports. While its trade actions largely targeted Japan, the threat of sweeping import duties and quotas produced significant alarm in Canada. “Both business and government were,” Doern and Tomlin observe, “forced to re-assess the value to Canada of secure and enhanced access to the U.S. market.”<sup>28</sup>

The members of the BCNI were particularly concerned with the American government’s growing protectionist tendencies. There was, according to Jock Finlayson, the BCNI’s former director of policy and analysis, “a real sense that Canada was vulnerable to American protectionist remedies.”<sup>29</sup> With this mounting threat in mind, the Council struck a task force on trade policy in 1981. Headed by Alton Cartwright, the chief executive officer of Canadian General Electric, the task force, like the department of external affairs, undertook an internal study of Canadian trade policy. Soon convinced that “the *status quo* [wa]s not viable,” the Council’s task force elected to look beyond the sectoral paradigm advanced by the departmental officials and to consider the implications of a comprehensive free trade agreement with the United States.<sup>30</sup> “The first step,” Curry remembers, “was doing the homework to ensure that we were on firm ground.”<sup>31</sup> In this vein, the task force, aided by the Council’s enhanced internal research capacity, privately

<sup>28</sup> Doern and Tomlin, 17

<sup>29</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

<sup>30</sup> Business Council on National Issues, *The Canada-United States Trading Relationship and the idea of a Trade Enhancement Agreement*, A Policy Proposal of the BCNI, (Ottawa: BCNI, September 1984), 2

<sup>31</sup> Interview with Steele Curry, Toronto, 9 November 2006.

examined the issue in great depth. “The BCNI,” d’Aquino explains, “worked very hard to take this skeleton of free trade and put some flesh on it.”<sup>32</sup> Building upon the extensive research of the Wonnacott brothers and others, the task force eventually reached the conclusion that bilateral trade liberalization offered some incontrovertible advantages, particularly for its globally-oriented membership. Indeed, the BCNI’s decision to cultivate a bilateral trade arrangement marked a distinct shift in the traditional big business position vis-à-vis free trade. As such, it reflected, according to Hart, “a powerful synthesis between the intellectual economic arguments [in favour of free trade] and big business interests.”<sup>33</sup> While its internal research demonstrated that comprehensive free trade was indeed covetable, the feasibility of such a policy remained largely unclear.

A number of unanswered questions inexorably presented themselves. First, it was not clear where the business community – the BCNI members and the broader community as a whole – stood on the issue. Was Canadian business prepared, by the beginning of the 1980s, to abandon its historic opposition to bilateral free trade? Second, the Trudeau government, which for most of the previous decade had actively sought to diversify Canadian trade patterns, was unlikely to alter its opposition to comprehensive free trade. How could the Council possibly advance the prospects of continental free trade with a national government that was rigidly opposed to such an initiative? Third, the stratified nature of the American presidential system presented significant challenges. Although President Reagan had publicly mused about market liberalism and free trade, it was unclear whether he had the ability to manouver such a shift in values without

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<sup>32</sup> This quotation is taken from Benoit and Gray, 34.

<sup>33</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

commanding a political majority in the American legislative branch.<sup>34</sup> Would the Democratic-led Congress, for example, grant the president the necessary authority to pursue a bilateral agreement? Finally, the opinion of the Canadian public, which had been historically apprehensive of continental integration, was difficult to measure. While the general public had, by 1982, become increasingly dissatisfied with the Trudeau government's economic management, it was unclear whether this collective antipathy would manifest itself into support for a fundamental shift in Canada's economic direction. With these uncertainties surely in mind, the Council's executive made a decision in the early stages of its policy development process to proceed judiciously. The BCNI, in short, was determined to "stick-handle" the issue with the poise and skill of a National Hockey League superstar.<sup>35</sup>

Before the Council could initiate a campaign of public advocacy, it needed to develop a firm consensus amongst its members. To this end, the Council, led by d'Aquino, held a series of private consultative sessions between 1982 and 1983, which provided a functional venue for internal dialogue and substantive policy debate. Determined to preclude internal dissension, each member was duly presented with the BCNI's in-house research findings and, moreover, was given ample opportunity to contribute to the organization's ultimate position. These spirited private discussions served, as the Council's current director of research, Sam Boutziouvis, puts it, "an internal negotiation between members."<sup>36</sup> The differing attitudes of Canada's diverse

<sup>34</sup> Reagan had mused publicly about a North American Accord – "from the Yucatan to the Yukon." See Werner J. Feld and Cheron Brylski, "A North American Accord: Feasible or Futile?", *Western Political Quarterly* Volume 36 (2), (June 1983): 286-311; and Derek Burney, *Getting it Done: A Memoir*, (Montreal and Kingston: McGill-Queen's University Press, 2005), 76.

<sup>35</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

<sup>36</sup> Interview with Sam Boutziouvis, Ottawa, 4 April 2007.

sectors were carefully balanced to strike a harmonized position that all members could support.

By all accounts, few participants expressed disapproval for the Council's tentative position. "The majority of the membership," Curry notes, "was in support of free trade early on, which reflected the BCNI's thorough internal research."<sup>37</sup> While some members were, of course, concerned with the prospect of increased competition, and others were fearful of significant domestic opposition, most were generally supportive of comprehensive free trade at the outset of the exploratory process. David Culver, for example, who had become the chief executive officer of Alcan Aluminum Limited on 1 July 1979, was promptly convinced of the merits of free trade. Culver, who would later play an instrumental role in the Council's public advocacy campaign as the organization's chairman, attributed his early support to the changing nature of the global economy. "The world was changing," he observed, "and free trade represented a move to get ready for the future of globalization."<sup>38</sup> Others, who had personally experienced the American government's emergent propensity for protectionist remedies, were equally keen to obtain a fairer dispute settlement mechanism. Even those members who represented firms in the brewing and manufacturing industries, the strongest opponents of free trade in the past, were now, for instance, willing to accept trade liberalization, assuming that an agreement contained an appropriate transnational dispute mechanism. As Culver remembers, "many were willing to accept nearly anything if it made dispute resolution more even-handed."<sup>39</sup> The Council's members were, in the context of further global integration and growing U.S. protectionism, now prepared to support

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<sup>37</sup> Interview with Steele Curry, Toronto, 9 November 2006.

<sup>38</sup> Interview with David Culver, Montreal, 13 December 2006.

<sup>39</sup> Ibid.

comprehensive free trade to ensure that their respective firms were strategically positioned to thrive in the coming decades. As one prominent member put it, "...people had been speaking about free trade since Adam Smith, but American protectionism and economic stagnation signaled a need for change."<sup>40</sup> In the end, the Council experienced few problems brokering an internal consensus when the issue was first broached in the fall of 1982.<sup>41</sup> Still, it was, in the words of Donald Macdonald, "a considerable act of diplomacy to get broadly-based support from the membership."<sup>42</sup> After extensive consultations and internal deliberation, the Council was now united in its support for comprehensive free trade and, and as a result, ready to enter the second stage of its policy development process. Next, it would turn its attention towards the government – a task that would prove far more daunting.

Although the Council had begun advancing the prospect of bilateral free trade, at least in its earliest manifestations, in the autumn of 1981, it had purposefully abstained from launching a full-fledge lobbying effort until it had reached an internal consensus. With that achieved, the Council commenced its public advocacy campaign in April 1983.<sup>43</sup> In a speech in Washington, d'Aquino tacitly discussed the BCNI's growing concern with U.S. protectionism and the need for more secure access to the American market. "We are deeply concerned about the forces at play in the international community, and especially in the United States," he told an audience of the American

<sup>40</sup> Interview with Darcy McKeough, Toronto, 8 November 2006.

<sup>41</sup> See Langille, 66-67; and interview with Darcy McKeough, Toronto, 8 November 2006.

<sup>42</sup> Interview with Donald S. Macdonald, Toronto, 10 November 2006.

<sup>43</sup> See John King, "Business Council Recommends Canada-US Trade Pact," *Globe and Mail*, (Toronto: 19 April 1983), B7.

Foreign Service Association.<sup>44</sup> While he refrained from proposing an across-the-board free trade agreement at this time, he introduced the prospect of a “trade enhancement agreement” – a clever moniker the Council would effectively employ to dissuade fears that a closer economic partnership would inevitably lead to a loss of national autonomy.<sup>45</sup> Such an arrangement, he explained, unlike a customs union or common market, would not bind the two countries to a common external tariff against the rest of the world, nor would it require common policies with respect to labour relations, capital movements, taxation policy or competition policy. Still, a defined trade agreement, if properly implemented, had the potential to neutralize the non-tariff barriers, such as countervailing duties, subsidies and government procurement policies, which had bedeviled Canadian industry. Canadian business was thus initiated to globalized lobbying – a dramatic break from the past. Ottawa was no longer the only door to knock upon.

That d’Aquino’s opening salvo in favour of bilateral free trade was made in Washington was hardly a surprise. With the Trudeau government hesitant to countenance anything beyond sectoral arrangements, the Council elected to focus its lobbying efforts on the American government, which seemed far more receptive to trade liberalization. After an initial meeting with the U.S. trade representative, William Brock, in January 1983, in which he had expressed his personal support for a trade enhancement deal, the Council pursued the issue further.<sup>46</sup> In an historic meeting on 23 March 1983, senior members of the BCNI, including d’Aquino, discussed the prospects of

<sup>44</sup> This quotation is taken from a speech given by d’Aquino to a dinner meeting sponsored by the Carnegie Endowment for International Peace and the American Foreign Service Association in Washington on 18 April 1983.

<sup>45</sup> D’Aquino, Langille writes, felt that the use of free trade terminology had become a “red herring....free trade was a goal not reached anywhere and not worth pursuing.” See Langille, 68.

<sup>46</sup> The BCNI was represented at this meeting by d’Aquino, Frazee and Powis. See Doern and Tomlin, 48; and Marci McDonald, *Yankee Doodle Dandy: Brian Mulroney and the American Agenda*, (Toronto: Stoddart Publishing, 1995), 84-85.

comprehensive free trade with the U.S. Vice-President George Bush and top-level American trade officials at the Chateau Laurier in Ottawa. The meeting, which lasted for over ninety minutes, provided the foundation for future cooperation between the BCNI and the American government that would last throughout the subsequent free trade process. It also, perhaps more importantly, served as the initial forum for serious policy discussions. Over the course of the meeting, d'Aquino presented the Council's embryonic case for bilateral trade liberalization. The vice-president, though impressed with its substantive research, confided that the American government had not considered such an arrangement. "What's in it for the United States," he asked quizzically. "A market the size of California," one BCNI member promptly responded. And Bush abruptly turned to Martin Feldstein, a senior economic advisor, and said, "We should be looking at this very, very seriously."<sup>47</sup> Thus, knowing it had a sympathetic ear in the White House, the Council reoriented the focus of its public advocacy towards Ottawa.

While the Trudeau government contemplated a limited trade liberalization approach – isolated to certain sectors of the economy – the BCNI continued to carefully advance a far more ambitious agenda behind the scenes. It soon discovered, however, that the appetite for comprehensive free trade within the federal cabinet and senior public service was nearly absent. Gerald Regan, the minister of international trade and an avid supporter of sectoral free trade, believed, for instance, that across-the-board free trade was simply not feasible. In September 1983, Regan released the government's red-covered trade policy review entitled, *Canadian Trade Policy for the 1980s*. In lieu of

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<sup>47</sup> The details of this private meeting have been collected from my interviews with Thomas d'Aquino, Ottawa, 19 January 2007, and David Culver, Montreal, 13 December 2006.

comprehensive trade liberalization, the report proposed “limited, sectoral free trade.”<sup>48</sup> Such an approach, it concluded, “would not raise the more difficult issues posed by the full free-trade option and would be consistent with the gradual movement by successive Canadian governments towards free trade.”<sup>49</sup> Indeed, most members of the senior public service were equally tentative. “To high level public officials, like the [Robert] Johnstones and [Robert] Latimers of the world, d’Aquino recalls, “the idea was an anathema – it would never happen in 10,000 years.”<sup>50</sup> The Canadian public service – still inherently disposed to multilateralism and fearful of continental integration – was generally unreceptive to the BCNI’s bilateral proposal. Undaunted, the Council continued to advance the concept with painstaking solicitude. “When we first floated the idea early in the decade,” d’Aquino remembers, “no government in Canada favoured outright free trade.”<sup>51</sup> In the absence of a committed governmental partner, the BCNI carefully built its case and waited patiently for the opportune moment to strike.

The Progressive Conservative leadership campaign, which began in March 1983 after the party’s leader, Joe Clark, failed to garner significant support, at least in his eyes, from party members at an annual conference in Winnipeg, provided a national incubator for the budding free trade debate. The ensuing campaign has been characterized as one of most bitter in Canadian history.<sup>52</sup> Indeed, the candidates represented a wide range of often diametrically-opposed ideological and regional perspectives. On 21 March 1983,

<sup>48</sup> Government of Canada, *Canadian Trade Policy for the 1980s: A Discussion Paper*, (Ottawa: Department of External Affairs, 1983), 45

<sup>49</sup> *Ibid*, 45

<sup>50</sup> Interview with Thomas d’Aquino, Ottawa, 19 January 2007.

<sup>51</sup> Reflections on a Quarter Century of Business Leadership on Behalf of Enterprise and Country, A Conversation with Thomas d’Aquino, president and chief executive officer of the BCNI, on the Occasion of the Twenty-Fifth Anniversary of the BCNI, 9 May 2001.

<sup>52</sup> See William Heward Graffety, *Democracy Challenged: How to End One-Party Rule in Canada*, (Montreal: Vehicule Press, 2002), 99-109.

Mulroney, who had narrowly lost at the 1976 convention, officially announced his candidacy. His previous campaign, although well-organized and sophisticated, had been widely seen as far too glib by the Conservative Party faithful, who, in turn, had elected his far less dynamic opponent. With this failed experience deeply in mind, Mulroney was determined to direct a more populist campaign, one that was “run from the basements rather than the boardrooms.”<sup>53</sup> At the same time, he seemed to offer a Canadian variant of the neo-conservatism that was flourishing in Washington and London. Bay Street and big business listened intently to Mulroney’s market-oriented policy proposals. At the outset of the race, Clark was generally perceived to be Mulroney’s most formidable competitor. Despite his albeit brief experience as prime minister, it became clear early in the campaign that he was no match for Mulroney’s felicitous combination of personal charisma, outstanding organization and unrivalled financial backing. To the surprise of many observers, the most intriguing candidate in the race proved to be John Crosbie. The gregarious former minister of finance from Newfoundland, who was an accomplished debater and had a knack for self-deprecating humour, quietly emerged as the favoured choice of the party’s right-wing constituency. Crosbie’s weakness, on the other hand, lay in his lack of bilingualism and his weak base in Quebec and central Canada. He swiftly distinguished himself, nonetheless, by placing bilateral free trade at the centre of his economic platform. Naturally, Crosbie’s support for continental trade liberalization obliged his political opponents to respond. In all cases, the leadership hopefuls – conscious of the polarizing nature of the free trade issue – addressed the topic with great trepidation. Mulroney, in particular, opted to affirm his opposition to such an initiative. When asked in the early stages of the campaign, for example, about the prospects of a

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<sup>53</sup> Granatstein and Hillmer *Prime Ministers*, 193

comprehensive free trade agreement, he abruptly retorted: “don’t talk to me about free trade. Free trade is a threat to Canadian sovereignty. You won’t hear any more from me about free trade during this leadership campaign or anytime in the future.”<sup>54</sup> It was a message he would espouse with greater frequency and in the same unequivocal manner as the campaign progressed. Like the other aspiring national leaders who had preceded him, Mulroney appeared reluctant to fasten his political fortune to this divisive issue. In the end, after substantial debate, he managed to hold off the threat posed by Crosbie, largely aided by his bilingualism and strong central Canadian support, and emerged as the new leader of the Conservative Party. But, while Mulroney had effectively distanced himself from his opponent’s strident proposition, the closely-followed leadership race served – much to the amusement of the BCNI – to raise the profile of bilateral free trade.

To take advantage of the blossoming free trade discourse, the Council made trade policy an integral component of its presentation to the Macdonald Royal Commission in December 1983. Although the BCNI continued to address the issue with prudence, it viewed the royal commission as a unique platform from which to promote trade liberalization in a bipartisan context. “As one of the few industrialized countries without free access to a market of at least 50 million people,” d’Aquino told the commissioners, “Canada is particularly vulnerable to protectionist policies.”<sup>55</sup> As such, the BCNI publicly endorsed the government’s plan to negotiate sectoral arrangements. At the same time, it recommended that “an across-the-board free trade agreement with the United

<sup>54</sup> For a further discussion of Mulroney’s categorical opposition to bilateral free trade, see. Michael Hart, “The Road to Free Trade,” in L. Ian MacDonald (ed.) *Free Trade: Risks and Rewards*, (Montreal and Kingston: McGill-Queen’s University Press, 2000), 22.

<sup>55</sup> BCNI, National Priorities: A Submission to the Royal Commission on the Economic Union and Development Prospects for Canada, Presented by Rowland C. Frazee, Chairman, and Thomas P. d’Aquino, President, 12 December 1983, 19

States also be considered.”<sup>56</sup> So, whilst the Council recognized “that achieving this goal is likely to take a long time,” it effectively used the royal commission as a stage to advance its case.<sup>57</sup> Even if its testimony had ostensibly little immediate impact on the federal government, it struck a chord with some of the commissioners and particularly with Macdonald, who was in the midst of his own free trade conversion.

Also in 1983, the BCNI held the first of a series of meetings with the Business Roundtable in the United States. Unlike Vice-president Bush, the blue-ribbon organization was initially impervious to the Council’s proposal. Unconvinced that greater access to the Canadian market provided its members any particular benefit and fearful of enhanced competition in its own marketplace, the Roundtable politely shunned the BCNI’s overtures.<sup>58</sup> According to d’Aquino, the U.S. private sector was “notably disinterested in the subject in 1981-1985 period.”<sup>59</sup> The Council, nevertheless, remained committed to cultivating a binational business position in favour of continental free trade, especially with its big business counterpart in the United States.

At the same time, the Council nurtured a broader business coalition in Canada. “The BCNI took the lead on behalf of the business community,” Finlayson declares. “It undertook the difficult task of building a broader business coalition that stitched together a representative business federation that included all the major business organizations.”<sup>60</sup> With permanent members of the CMA and the Chamber of Commerce on its executive board, the BCNI’s leadership became instrumental in coordinating a cohesive business

<sup>56</sup>Ibid., 19-20

<sup>57</sup>Ibid., 20

<sup>58</sup>“This lack of American business interest,” Doern and Tomlin explain, “simply reflected the usual low profile of Canada-American issues in the United States.” See Doern and Tomlin, 105; and interview with David Culver, Montreal, 13 December 2006.

<sup>59</sup>This quotation was later re-printed in Langille, 67. For a further elucidation of the American business perspective at this time, see Clarkson, *Canada and the Reagan Challenge*.

<sup>60</sup>Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

position. According to Doern, “the Council was able to encourage – even coerce – others...to fall into step.”<sup>61</sup> Initially, however, the CMA was far less amenable to trade liberalization. In early 1981, it had conducted an internal poll of its members that demonstrated that only one-third favoured free trade.<sup>62</sup> Hence, the organization leaned towards opposing any bilateral agreements. The 1982 recession, however, had a profound effect on the manufacturing sector. “It felt the recession,” Doern and Tomlin note, “far more acutely than did the varied BCNI membership.”<sup>63</sup> As a result, the CMA became far more acquiescent in its position vis-à-vis free trade. In the aftermath of the devastating recession, the manufacturers were considerably more inclined to support bilateral tariff reductions on the condition that it granted them secure access to the American market. The Chamber of Commerce, by contrast, was supportive of such an initiative in the early phases of the BCNI’s advocacy campaign. The massive organization, which comprised 500 local chambers and boasted a membership of 145,000 Canadian businesses, shared the Council’s distress with growing protectionism abroad and economic stagnation at home.<sup>64</sup> “While the Chamber recognized that a free trade agreement between Canada and the United States would result in costs to certain sectors of Canadian industry,” Chamber president, Sam Hughes, noted in its submission to the Macdonald Commission, “it believes the overall benefits would outweigh the costs.”<sup>65</sup> Like the BCNI, the Canadian Chamber of Commerce was increasingly skeptical of

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<sup>61</sup> Interview with Bruce Doern, Ottawa, 23 October 2006.

<sup>62</sup> Doern and Tomlin, 49

<sup>63</sup> By the time the recession had run its course, more than 300,000 employees of CMA firms had been laid off. See *Ibid.*, 49.

<sup>64</sup> According to Council research director Sam Boutziouvis, the Chamber’s broadly-based membership allowed it to “focus on the positives of a potential free trade arrangement and de-emphasize the negative implications.” See interview with Sam Boutziouvis, Ottawa, 4 April 2007.

<sup>65</sup> Canadian Chamber of Commerce, Submission to the Macdonald Commission on Canada’s Future, Presented by Sam Hughes, President, 3 October 1983, 22

sectoralism and beginning to reach the incontrovertible conclusion that only comprehensive free trade could offer its members secure access to the American market. Thus, the two organizations had several meetings in 1983 to fashion a uniform position. Following these productive discussions, the BCNI took a leading role, along with the Canadian Chamber of Commerce, in swinging the attitude of the Canadian business community away from its traditional protectionism, in favour of free trade with the United States.

By June 1984, as the Trudeau era came to a sudden end, the BCNI intensified its public advocacy campaign. After earning a decisive victory at the Liberal leadership convention on 16 June 1984, an emboldened John Turner sought a mandate from the Canadian electorate. Thus, despite forewarnings from his political staff, he chose to dissolve Parliament prematurely a month later, setting the course for an autumn general election. At the outset of the campaign, the BCNI privately approached Turner and his finance minister, Marc Lalonde, as well as Mulroney and the Conservative trade critic, Michael Wilson, about the possibility of making comprehensive free trade a central plank in their respective electoral platforms. In both cases, the party leaders – unwilling to risk running on such a disputation policy – dismissed the Council's proposal.<sup>66</sup> As a result, the issue of continental trade liberalization was conspicuously absent in the policy debates of the ensuing campaign.

Following its historic electoral victory on September 4, 1984, the new Conservative government immediately signaled a dramatic shift in the country's macro-economic framework and a greater propensity for conciliation in its relationship with the United States. Besides swiftly dismantling its predecessor's interventionist policies in the

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<sup>66</sup> See Benoit and Gray, 34-35; Doern and Tomlin, 48; and Langille, 67.

areas of foreign investment and energy, the new federal government fomented closer links with its American counterpart.<sup>67</sup> At the executive level, in particular, Mulroney and Reagan quickly established a personal relationship that was far closer and more fecund than had been the one between the U.S. president and Trudeau.<sup>68</sup> While his market-oriented outlook and his electoral commitment to repair Canada-U.S. relations were well-received by the BCNI, Canada' new prime minister was still wholly reluctant to embrace its free trade proposals. Indeed, it appeared that Canadian trade policy would remain committed to multilateralism and resist the urge to enhance trade relations with the United States.

However, an impromptu meeting between d'Aquino and Mulroney, ten days after the election – before the new prime minister had even moved into his official residence – provided the Council with remarkable insight into Mulroney's evolving stance vis-à-vis free trade. While walking in the exclusive Ottawa neighbourhood of Rockcliffe Park, d'Aquino by happenstance met Mulroney and a fairly substantive discussion ensued. “I really like the work you people on doing on free trade,” d'Aquino recalls him exclaiming, “and I think we should seriously talk about it.”<sup>69</sup> Indeed, Mulroney, a flexible pragmatist, was determined to fulfill his election promise of “jobs, jobs, jobs.”<sup>70</sup> Hence, he was

<sup>67</sup> The abrogation of these policies was an integral part of the government's strategy of conciliation. Indeed, both had provoked widespread discontent in the American government and the U.S. private sector. In a scathing riposte to these policies, the influential *Wall Street Journal* declared, “Canada is abandoning free market principles and discriminating against the American business community.” This quotation was later re-printed in Frye and Radebaugh, xi. For further discussions of the U.S. position on the FIRA and the NEP, see Hart, *A Trading Nation*, 272; and Martin, 225.

<sup>68</sup> “Ronald Reagan did not know a lot about Canada,” Burney observes, “but his affection for Brian Mulroney provided channels for others in the administration who had both knowledge and interest in Canadian affairs. This access gave us the opportunity for direct exchanges on bilateral and global issues and in a spirit of candour that a relationship based on trust will allow.” See Burney, 105.

<sup>69</sup> The details of this accidental meeting are collected from interview with Thomas d'Aquino, Ottawa, 19 January 2007, and Newman, *Titans*, 156-157.

<sup>70</sup> In his 1993 memoirs, entitled, *A Life in Progress*, Mulroney acquaintance and notorious Canadian business figure, Conrad Black, perceptively declared that the new prime minister's “knowledge of how to

increasingly inclined to examine the Council's free trade proposal in greater detail. Buoyed by the prime minister's ostensive interest, the BCNI undertook to develop an in-house draft agreement to actually mirror what a prospective settlement might eventually resemble.

In the early winter of 1984, the Council began work on its framework agreement. Alongside Jock Finlayson, its director of policy analysis and research, the Council retained the services of Christopher Thomas, a well-known Canadian trade lawyer, to assist in its development.<sup>71</sup> The two worked closely with the Council's task force on the international economy and trade, which was fittingly chaired by Powis, who had been a leading private sector voice in favour of free trade for some time. The resulting document, although deficient in some areas, established an effective mechanism for dispute resolution and outlined an orderly process of tariff reduction.<sup>72</sup> Further, it provided the Council with a fleshed-out policy position that had been previously missing in its public advocacy campaign.<sup>73</sup> Armed with its framework agreement, the BCNI was far better positioned to convince the Mulroney government that free trade was both a feasible and positive venture for Canada. Not since the CMA in the nineteenth century, had a lobby group been so proactive in leading the state to a new trade policy.

get ahead was geometrically greater than any notion he had of what to do when he reached his destination.” See Conrad Black, *A Life in Progress*, (Toronto: Key Porter Books Limited, 1993), 163.

<sup>71</sup> See Canadian Press, “Corporate Lobby Brainstorms on Free Trade,” *Globe and Mail*, (Toronto: 28 September 1984), B7.

<sup>72</sup> According to Hart, the BCNI’s internal document failed to provide for a comprehensive set of binational rules that would govern the future trading relationship. Interview with Michael Hart, Ottawa, 25 October 2006.

<sup>73</sup> See Business Council on National Issues, *The Canada-United States Trading Relationship and the idea of a Trade Enhancement Agreement*, A Policy Proposal of the BCNI, (Ottawa: BCNI, September 1984). The trade policy paper was later republished for a wider audience; see Jock Finlayson and Chris Thomas, *The Canada-U.S. Trade Relationship and the Idea of a Trade Enhancement Agreement*, A Policy Proposal of the BCNI, (Ottawa: BCNI, 1984).

Their efforts were given an immeasurable boost when Donald Macdonald, the Bay Street lawyer and former Liberal minister of finance chairing the Royal Commission on the Economic Union and Development Prospects for Canada, revealed in November 1984 that the commission would lend its support to free trade.<sup>74</sup> Macdonald, a so-called “Trudeauian Liberal,” had generally been associated with the party’s nationalist wing and, therefore, his support for trade liberalization came as a tremendous shock to Conservatives and Liberals alike.<sup>75</sup> Although the commission’s final report was not expected for another year, Macdonald, eager to place trade liberalization on its agenda, made his personal feelings publicly known at a Canada-U.S. relations conference in New York.<sup>76</sup> In a private discussion with *Globe and Mail* reporter William Johnson, Macdonald famously declared that Canadians had to take a “leap of faith...at some point Canadians are going to have to be bold, and say, yes, we will do that.”<sup>77</sup> Dumfounded, Johnson asked Macdonald if he would be willing to repeat the statement for the record. After deliberating over night, he permitted the journalist to print the provocative quotation with few amendments.<sup>78</sup> The following day, the news story showered the front pages of newspapers across the country. As a long-identified Liberal supporter, Macdonald’s proclamation in favour of free trade added a bipartisan ingredient to the mix and greatly enhanced the credibility of those advocating for bilateral free trade.

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<sup>74</sup> See William Johnson, “Leap of Faith: Canada Must act on Free Trade, Macdonald Says,” *Globe and Mail*, (Toronto: 19 November 1984), 1.

<sup>75</sup> Bothwell, *The Politics of Partnership*, 143

<sup>76</sup> “In many ways, Macdonald personified the changes in society,” Hart, Dymond and Robertson declare. “A newly elected MP in the 1960s, he had prided himself on being labeled an economic nationalist. As a senior government minister in the 1970s, he had seen himself as a pragmatist in the mold of Lester Pearson, Mitchell Sharp and Bud Drury. As chair of the commission in the 1980s, he accepted the new realities and saw a need to return to the discipline of market-driven economics. It would be the theme of the commission’s report.” See Hart, Dymond and Robertson, *Decision at Midnight*, 35.

<sup>77</sup> David Bercuson, J.L. Granatstein and W.B. Young, *Sacred Trust: Brian Mulroney and the Conservative Party in Power*, (Toronto: Doubleday Canada Limited, 1986), 270

<sup>78</sup> The details of this private meeting are collected from interview with Donald S. Macdonald, Toronto, 10 November 2006, and Doern and Tomlin, 53-54.

Macdonald's public musing had a tremendous effect on the Canadian political landscape and, indeed, on the Canadian business community.<sup>79</sup> In the opinion of Finlayson, "the work of the royal commission played a critical role in persuading the CMA and others to abandon [their respective opposition to bilateral free trade]."<sup>80</sup> As such, a large segment of the business community was, according to Hart, "ahead of the government on the issue at this time."<sup>81</sup> Despite these encouraging signs, the Council remained mindful of the divisive nature of continental free trade. In December 1984, d'Aquino further advanced his cautious case for a limited trade enhancement agreement. In an address to the Ottawa chapter of the North American Society for Corporate Planning, he outlined the substance of the BCNI's circumspect proposal:

It is not an agreement to establish immediately a free trade association between Canada and the United States. It is true that trade liberalization efforts, if ultimately successful, might lead to free trade. But practitioners know that pure free trade is a rarity – and certainly not feasible across the forty-ninth parallel in the foreseeable future. We are certainly not advocating a customs union or a common market. The Treaty of Rome model for North America has such far-reaching implications for our national sovereignty that it should be dispelled from our minds. Our Trade Enhancement Agreement represents a commitment – a commitment to the reality that the Canada-United States trading relationship is special – a commitment to the goal of reducing bilateral tariff and non-tariff reductions – a commitment to more effective mechanisms to help avoid and resolve bilateral trade disputes – a commitment to on-going negotiation in which the private sectors of the two countries are active participants.<sup>82</sup>

While d'Aquino heralded the simplicity of the Council's plan, the winds of change were, by the end of 1984, clearly beginning to blow in his continental direction. Soon, he would consciously abandon the prospects of trade enhancement and speak more boldly about comprehensive free trade.

<sup>79</sup> See Editorial, "The Free Trade Tango," *Globe and Mail*, (Toronto: 28 November 1984), A6.

<sup>80</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

<sup>81</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

<sup>82</sup> This quotation is taken from a speech given by d'Aquino the Ottawa chapter of the North American Society for Corporate Planning in Ottawa on 6 December 1984.

In the months following Macdonald's spontaneous endorsement of free trade, a series of government reports and consultations moved the cabinet closer to endorsing trade liberalization.<sup>83</sup> The first of these reports was the final product of the trade policy review entitled *How to Secure and Enhance Access to Exports Markets*, undertaken by Derek Burney in the department of external affairs.<sup>84</sup> Despite some internal opposition, the study ultimately dismissed sectoralism as unfeasible and presented comprehensive free trade as a desirable option for Canada. As the report noted, "a sectoral steel arrangement is opposed by the U.S. industry and, in urban transit, the U.S. has indicated that government procurement liberalization in that sector would not be self-balancing."<sup>85</sup> Hence, it confirmed that "these are not at present under active consideration."<sup>86</sup> Although the paper carefully avoided placing undue pressure on the new government, it rejected the status quo as inadequate. Mulroney's trade minister, James Kelleher, was generally supportive of the task force's recommendations, and released the report publicly in January 1985. Besides its distinctive blue-cover, the report's tone differed dramatically from the Liberal study undertaken less than two years earlier. "In trade policy terms," the report concluded, "the most immediate focus is on preparations for a new round of multilateral trade negotiations and the potential for possible new approaches to Canada-

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<sup>83</sup> See Giles Gherson, "Tories Take Long Hard Look at our Trade Policies," *Financial Post*, (Toronto: 9 March 1985), 43.

<sup>84</sup> According to Marci McDonald, "...Burney and his trusted side-kick Michael Hart [a senior trade official] met repeatedly with [sic] BCNI and other business groups, giving corporate Canada unaccustomed input into a policy process that traditionally had been guarded jealously by External's mandarins." See McDonald, 87.

<sup>85</sup> Government of Canada, *How to Secure and Enhance Canadian Access to Export Markets*, (Ottawa: Department of External Affairs, 1985), 26

<sup>86</sup> Ibid., 26

U.S. trade relations.”<sup>87</sup> The policy debate was beginning to move in the Council’s direction.

The mounting tide of U.S. protectionism also contributed to a measured reversal in the government’s position vis-à-vis bilateral free trade. In first two months of 1985, there was a steady increase in the number of investigations of Canadian export practices under the American countervailing duty process, as well as the introduction of specific legislation in Congress that effectively limited Canadian exports to the United States. And with mid-term elections fast-approaching, the political situation in the U.S. was increasingly volatile.<sup>88</sup> “The window of opportunity,” d’Aquino forewarned, “may close if the Republicans lose control of the U.S. Senate and if the country becomes more protectionist.”<sup>89</sup> These troubling developments, combined with the persistent lobbying of the BCNI, persuaded the government to place bilateral trade issues at the top of the agenda for discussion between Mulroney and Reagan at their first summit meeting in March 1985 in Quebec City.<sup>90</sup>

The Shamrock Summit, as it came to be known, was a watershed moment in the BCNI’s public advocacy campaign. It was also, according to his former press secretary Michel Gratton, “without doubt, the apogee of the first half of Brian Mulroney’s mandate as prime minister.”<sup>91</sup> Held in Quebec City on St. Patrick’s Day 1985, the highly-choreographed event was designed to symbolize a new era of Canada-U.S. harmony after

<sup>87</sup> Ibid., 32

<sup>88</sup> See Ronald Anderson, “US Protectionist Stance Spurs Need for Free Trade,” *Globe and Mail*, (Toronto: 21 August 1985), B2

<sup>89</sup> This quotation is taken from a speech given by d’Aquino to the Engineering Institute for Canada in Ottawa on 12 February 1985.

<sup>90</sup> See Hyman Solomon, “Shamrock Summit Could Give Trade Issue a Boost,” *Financial Post*, (Toronto: 16 February 1985), 8; and Bruce Gates, “Business Group Wants Start on Free Trade with US Talks,” *Financial Post*, (Toronto: 16 March 1985), 20.

<sup>91</sup> Michel Gratton, *So What are the Boys Saying?: An Inside Look at Brian Mulroney in Power*, (Toronto: McGraw-Hill Ryerson, 1987), 120

years of Liberal prickliness.<sup>92</sup> The two national leaders – both of Irish lineage – put on a display of public cordiality that famously culminated in a powerful rendition of “When Irish Eyes are Smiling.” At the same time, the bilateral meetings provided an important venue for substantive trade discussions to ensue behind the scenes. After a series of consultative meetings, Mulroney and Reagan issued a joint declaration calling for an examination of ways to reduce and eliminate existing barriers to trade. Although the statement contained no explicit declaration of bilateral trade policy, it signaled a shared objective of incremental trade liberalization.<sup>93</sup> In the end, the Shamrock Summit was widely seen as a reaffirmation of the special relationship between Canada and the United States and served as a catalyst for further bilateral discussions.<sup>94</sup>

From the perspective of the Council, the bilateral summit was a potent success. “It was characterized by great personal amity between two chief executives – a factor that counts for a great deal in bilateral diplomacy,” d’Aquino later told reporters.<sup>95</sup> In the aftermath of the preliminary discussions, the Council stepped up its lobbying efforts both in Canada and the United States. In this vein, the Council released a letter to the prime minister and the minister of international trade on 25 April 1985, which called for “the immediate establishment by the federal government of an agenda, [of] a work program

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<sup>92</sup> “Relations generally between Canada and the United States [under the Liberals],” Burney notes, “could be categorized by long periods of benign neglect from Washington, accompanied by calculated ambivalence from Ottawa. From time to time, personalities or issues prompted outbursts of engagement or irritation.” See Burney, 79.

<sup>93</sup> See Jennifer Lewington, “Pact may Create Jobs – Stateside,” *Globe and Mail*, (Toronto: 21 March 1985), A12; and Lewington, “US Eyeing Broad Free-Trade Deal,” *Globe and Mail*, (Toronto: 23 March 1985), B1.

<sup>94</sup> For a behind-the-scenes account of the bilateral summit, see Gratton, 120-136.

<sup>95</sup> BCNI, Press Release, “Business Council Head Assesses Impact of ‘Shamrock Summit,’” (Ottawa: 27 March 1985)

and a timetable to facilitate this process.”<sup>96</sup> With the support of the Canadian government increasingly assured, the BCNI tried to elicit more support among American business leaders and politicians. Days after the meeting in Quebec City, a group of seventeen BCNI members journeyed to Washington for three days of discussions with American business leaders, and senior governmental officials such as the secretary of state, George Schultz, the secretary of defence, Caspar Weinberger, the Senate majority leader, Robert Dole, and the chairman of the Senate’s international trade subcommittee, Senator John Danforth. These discussions helped to cultivate a greater degree of binational business congruence in favour of free trade. The Business Roundtable, duly represented by James Robinson III, the chief executive officer of American Express Company, and the chairman of the Roundtable’s advisory committee on trade policy and negotiations, seemed far more amenable to the idea than it had been in the past. The private endorsement of the powerful Business Roundtable was a tremendous boost to the BCNI’s advocacy campaign. Its influence in Washington cannot be understated. The Roundtable’s cooperation and support would prove to be invaluable in the coming years. Further, the private meetings with top-level political figures served to reassure the Council that trade liberalization was indeed a top priority for the Reagan administration. This brief mission to Washington, in short, provided the BCNI with sufficient evidence that the Americans were increasingly prepared to join it in a “leap of faith.”<sup>97</sup> It also exemplified the systematic nature of the Council’s lobbying approach. To achieve its policy aims, the BCNI wisely positioned itself to build strategic bridges with like-minded groups in Canada and the United States. Inspired by the triumph of the Shamrock

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<sup>96</sup> BCNI, Press Release, “Business Council Supports Initiatives to Liberalize Trade,” (Ottawa: 25 April 1985)

<sup>97</sup> The details of these meetings are recorded in Langille, 68–69; and McDonald, 197.

Summit, the Council was dogged in its efforts to persuade the Canadian government and its American counterpart to enter into formal negotiations.

Its shrewd public advocacy approach soon bore substantial results. While the Mulroney government carefully pondered its next move, Canadian public opinion underwent a measurable shift in favour of free trade. For example, a public opinion poll completed by Environics Research Group Limited in June 1985, confirmed that nearly 65 percent of Canadians were supportive of free trade with the United States.<sup>98</sup> Further, Canadian media publications, such as the *Globe and Mail* and the *Montreal Gazette* published editorials endorsing free trade.<sup>99</sup> Although the government was hesitant to proceed too hastily, these startling developments demonstrated “that Canadians were prepared for a shift in policy.”<sup>100</sup> And, as Doern rightly notes, “[this] discernible shift in the Canadian public opinion environment... [made] the BCNI’s position increasingly saleable.”<sup>101</sup>

Hence, the Council abandoned its position of incrementalism and began to speak more assertively about comprehensive free trade in August 1985. In a testimony before a special joint committee on Canada’s international relations, d’Aquino and Powis publicly advocated for a far-reaching trade arrangement. “A comprehensive bilateral trade agreement that gradually liberalized trade and provided for more assured market access would offer several advantages to Canada,” d’Aquino indicated to the committee members. “Canadian consumers would gain from lower prices and increased competition; tariffs would no longer be imposed on Canada’s exports to the United

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<sup>98</sup> This poll result is taken from Bercuson, Granatstein and Young, 265. See also, Burney, 73-74.

<sup>99</sup> See Editorial, “A Case for Free Trade,” *Globe and Mail*, (Toronto: 2 September 1985), A6; and Editorial, “The Grand Illusion,” *Montreal Gazette*, (Montreal: 3 October 1985), B2.

<sup>100</sup> Bercuson, Granatstein and Young, 265

<sup>101</sup> Interview with Bruce Doern, Ottawa, 23 October 2006.

States; productivity in Canadian industry would improve thanks to increased specialization and economies of scale; and the uncertainty that now faces Canadian industry because of that threat to Canada's market access in the United States would be diminished.”<sup>102</sup> Now convinced that the Canadian public was effectively onside, the BCNI set out to garner support for an agreement that was far bolder and more comprehensive than the one it had originally proposed. But as the Council argued for a comprehensive deal, some organizations – representing narrow sectoral interests – voiced their vehement opposition to the BCNI's proposal. The Automotive Parts Manufacturers Association of Canada, for instance, expressed its concern that free trade negotiations would invariably lead to the abrogation of the Canada-U.S. autopact.<sup>103</sup> Thus, while the Council's position became much more lucid, the position of the broader business community vis-à-vis free trade remained multifarious and seemingly beyond brokering.

The special joint committee released its interim findings in August 1985. The report, which was drafted with the concurrence of both the Conservative and Liberals members of the committee, but not the New Democrats, recommended a fairly cautious approach to the trade issue.<sup>104</sup> It proposed that the government initiate preliminary discussions with the United States, but refrained from proffering support for formal bilateral negotiations. Instead, the committee urged the government to centre the discussions on the resolution of existing trade disputes and the exploration of issues involved in further trade liberalization. Such investigative discussions, the committee

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<sup>102</sup> BCNI, Press Release, “Canada's Business Leaders Elaborate Views on Trade, Competitiveness and Sovereignty,” (Ottawa: 8 August 1985)

<sup>103</sup> See David Stewart-Patterson, “Consensus is Missing but Opinions are Many on Issue of Free Trade,” *Globe and Mail*, (Toronto: 9 August 1985), B4.

<sup>104</sup> See Minutes of Proceedings and Evidence of the Special Joint Committee of the Senate and of the House of Commons on Canada's International Relations, (Ottawa: Queen's Printer, 1985).

concluded, would determine whether a basis for more comprehensive negotiations existed.<sup>105</sup>

The committee's restrained findings were overshadowed, however, when the massive report of the Macdonald Royal Commission was released two weeks later, on 5 September 1985. Upon its release, the commission's product became instantly known as the free trade report.<sup>106</sup> Although it provided a host of recommendations on a plethora of institutional and public policy issues, the commission's central proposal was a comprehensive bilateral free trade agreement with the United States.<sup>107</sup> Indeed, the commission believed that Canada stood at a turning point in its economic history. "Industrial nations must decide whether they will continue down the road of global interdependence or withdraw into a protective shell," the commissioners declared.<sup>108</sup> With Canada situated at a forked road once again, the final report averred, "...the time may be ripe for a new approach to Canadian trade relations with the United States."<sup>109</sup> As such, the report meticulously outlined the long-terms benefits of a more secure bilateral rules-based regime. Their concluding observations left little room for misinterpretation:

Commissioners see a clear need to take a new direction. We Canadians now have a strong sense of confidence in our own institutions and in our ability to safeguard discernible differences between the two countries than they may have had in years past. We are ready for and expecting such a change.<sup>110</sup>

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<sup>105</sup> See Doern and Tomlin, 27-28.

<sup>106</sup> Bruce Little, "Free Trade with US Recommended; Macdonald Urges Sweeping Change in Economy, Government, Social Aid," *Globe and Mail*, (Toronto: 6 September 1985), A1

<sup>107</sup> See Government of Canada, *Royal Commission on the Economic Union and Development Prospects for Canada* Volumes One and Two, (Ottawa: Supply and Services Canada, 1985).

<sup>108</sup> Government of Canada, *Royal Commission on the Economic Union and Development Prospects for Canada* Volume One, (Ottawa: Supply and Services Canada, 1985), 129

<sup>109</sup> Ibid., 247

<sup>110</sup> Ibid., 248

With the bipartisan blessings of the Royal Commission, Mulroney had all the political cover he needed to reverse his former position and to proceed with his emerging free trade plans.

On the eve of an expected announcement that the government would formally enter into bilateral trade discussions with United States, the BCNI released a major policy statement outlining Canada's trade policy options.<sup>111</sup> The paper, signed by Frazee, d'Aquino and Powis, urged the government to commence negotiations with a view to develop improved trade and market arrangements. The Council's policy statement emphasized "the urgent and continuing need to secure an improved position for Canada within the rapidly changing and increasingly competitive global economy."<sup>112</sup> To this end, the study recommended that the government embark on direct bilateral discussions. On balance, the Council argued, a trade agreement that gradually liberalized bilateral trade and provided for more assured market access was surely in Canada's economic interests. As such, the BCNI rejected the notion that such an agreement would threaten Canadian sovereignty or undermine its ability to conduct independent national policies in a wide variety of areas. "There is no contemporary evidence to support the contention that trade agreements between countries of disparate size lead to economic and political integration," the policy statement concluded. "Moreover, a suitably designed bilateral trade agreement need not entail any significant lessening of Canada's latitude for independent policy making in key areas of national life."<sup>113</sup> As it had done so effectively

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<sup>111</sup> See Business Council on National Issues, *Canadian Trade, Competitiveness and Sovereignty: The Prospects of New Trade Agreements with the United States*, A Statement by the BCNI, (Ottawa: BCNI, September 1985).

<sup>112</sup> BCNI, Press Release, "Canada's Business Leaders Call for New Trade Arrangements with the United States," (Ottawa: 25 September 1985)

<sup>113</sup> Ibid.

in the past, the BCNI, after lobbying the Mulroney government to enter into bilateral negotiations with United States, stepped directly into the emerging public debate in a proactive manner on the strength of its detailed primary research.

As anticipated, Prime Minister Mulroney informed the House of Commons of his government's intentions to enter into bilateral negotiations with the United States on 26 September 1985. Indeed, the prime minister's own position vis-à-vis continental free trade – heavily influenced by the recommendations of the Macdonald Royal Commission and the systematic lobbying efforts of the BCNI – had undergone a fundamental transformation since his windswept visit to the Lakehead less than three years earlier. "Only donkeys don't change their minds – donkeys and mules," he later joked during a Toronto television interview.<sup>114</sup> On 2 October, President Reagan replied affirmatively to Mulroney's proposition. Now, each government was officially committed to negotiating a comprehensive free trade agreement. The third stage of the BCNI's public advocacy campaigned had reached a triumphant conclusion. The next one would prove to be even more challenging.

Mulroney's formal announcement elicited a sundry response across the country. Many Canadians, though tacitly in favour of trade liberalization, remained concerned about the damaging effect a free trade agreement might have on the country's manufacturing sector, social welfare system, and perhaps most importantly, its national sovereignty. Thus, following the prime minister's declaration, his government, along with the BCNI and other trade liberalization advocates, quickly mobilized across the country

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<sup>114</sup> Linda Deibel, "Long Battle Over Free Trade Coming to an End," *Toronto Star*, (Toronto: 24 December 1988), A1

to garner wider support for free trade amongst the provincial premiers and the general population.

The announcement of Mulroney's decision to initiate free trade negotiations with the United States, while not unexpected, had nevertheless caught some provinces off guard. The presence of a Conservative premier in each provincial capital with the notable exceptions of British Columbia, Manitoba, Quebec and Ontario, however, provided the prime minister with ample room to manoeuvre. As Doern and Tomlin note, "these premiers [Don Getty of Alberta; Grant Devine of Saskatchewan; Richard Hatfield of New Brunswick; John Buchanan of Nova Scotia; James Lee of Prince Edward Island; and Brian Peckford of Newfoundland and Labrador] were ideologically sympathetic to the pro-market approach of the federal party, and deeply concerned about American protectionism."<sup>115</sup> Peter Lougheed, the outgoing premier of Alberta, was, in particular, an active supporter and a true believer in free trade. After a visit to Washington in May 1985, Lougheed had returned to Edmonton convinced that a bilateral agreement was in Canada's interest. "Free trade with the U.S. would be a bold step for Canada," he told a Canadian reporter as he stepped off the plane.<sup>116</sup> Quebec's Premier, Robert Bourassa, who had a close personal relationship with Prime Minister Mulroney, was also an unexpected supporter of free trade.<sup>117</sup> Bourassa, who had swept back into power in 1985, saw electricity exports as central to his new economic strategy for Quebec. Thus, a trade liberalization arrangement seemed to offer his province a profitable opportunity to gain

<sup>115</sup> Doern and Tomlin, 32

<sup>116</sup> Brian Butters, "Lougheed says US Supports Free Trade," *Montreal Gazette*, (Montreal: 9 May 1985), E12

<sup>117</sup> Bourassa had appointed his friend, Mulroney, to serve on a royal commission in 1974, headed by Laval law professor, Robert Cliché, which was established to investigate charges of labour corruption and union violence in northern Quebec. The commission's six-hundred page report, which was published on 2 May 1975, "got high marks for being hard-hitting, far-reaching and courageous." See John Sawatsky, *Mulroney: The Politics of Ambition*, (Toronto: Macfarlane Walter & Ross, 1991), 248-261.

greater access to the much-coveted American market. He would emerge as an important ally to the federal government throughout the contentious free trade process. David Peterson, the Liberal premier of Ontario, by contrast, was apprehensive from the outset. “We are not prepared to trade away Canada’s soul,” Peterson said emphatically. “We are not prepared to become the junior partner in a U.S.-based North American incorporated. We are not prepared to put Canada’s entire future on the bargaining table.”<sup>118</sup> Peterson was specifically worried that bilateral negotiations would lead to the abrogation of the Auto Pact, which had provided the underpinnings for the automobile sector in Ontario since its inception in 1965. In the end, despite their best efforts, the Council and the government were unable to persuade Peterson to reverse his position.<sup>119</sup> He would continue to oppose the negotiations and ultimately the resultant agreement.

The position of the Canadian public was even more difficult to assess. According to Burney, “the West was solidly supportive; Atlantic Canada, possibly for nostalgic reasons, remained favourable.”<sup>120</sup> Quebecers were also generally in favour of the negotiations. After nearly ten years of separatist rule, the province was desperately in need of economic reform, and free trade seemed to offer a basic impetus for such a transformation. Support in Ontario, however, was less sturdy. Indeed, Peterson’s public clamouring had produced some indecision in the vote-rich province. There was no question, in short, that Mulroney’s pursuit of a free trade agreement was “a gamble.”<sup>121</sup> Hence, the BCNI engaged in a massive public campaign that took d’Aquino and others

<sup>118</sup> Alan Christie, “It’s a go on Free Trade Talks PM Tells Peterson,” *Toronto Star*, (Toronto: 26 September 1985), A1

<sup>119</sup> According to Doern and Tomlin, “d’Aquino had also worked steadily on Ontario premier David Peterson to get him to modify, or at least mute, his opposition to free trade.” See Doern and Tomlin, 107.

<sup>120</sup> Burney, 74-75

<sup>121</sup> Bercuson, Granatstein and Young, 264

across the entire country, where they made a simple, yet convincing argument. Only a comprehensive free trade agreement, they insisted, would halt American protectionism and protect Canadian exporters. They pointed, for instance, to the recently-enacted *U.S. Trade Act of 1984* as a troubling manifestation of American protectionist proclivities.<sup>122</sup> Without free trade, Canadians could anticipate a “plethora of protectionist bills” that could potentially devastate the Canadian economy.<sup>123</sup> Still, despite the Council’s best efforts, the position of the Canadian public remained difficult to measure. As historian Robert Bothwell notes, “It had taken years for Canadian-American relations to exorcise the ghost of the failed 1911 trade agreement; if the 1985 process failed, it would take years more.”<sup>124</sup> Under immense pressure and general uncertainty, the Mulroney government entered the negotiation process.

The Prime Minister’s first order of business was to select a chief negotiator to defend Canadian interests. After some reflection, he elected to appoint Simon Reisman, a former deputy minister of finance, on 8 November 1985. Reisman was widely regarded as a formidable figure in Ottawa circles. He had extensive experience in multilateral trade negotiations, and had been the chief representative in the negotiation of the Canada-U.S. Auto Pact in 1965. But, his appointment was surely predicated on more than simply his experience and knowledge. Indeed, his personal reputation was the stuff of mandarianate folklore. Doern and Tomlin aptly describe him in the following manner:

A short, bellicose man, Reisman was loquacious, blunt to the point of rudeness, and often profane. His outbursts of temper with subordinates and superiors alike

<sup>122</sup> See speech given by d’Aquino, entitled, “The Canada-U.S. Trade Debate: Between the Protectionist Siren Song,” to the Men’s Canadian Club of Calgary on 19 February 1986.

<sup>123</sup> Bruce Wilkinson, “The Canada-U.S. Trade Negotiations: An Assessment” In David L. McKee (ed.) *Canadian-American Economic Relations: Conflict and Cooperation on a Continental Scale*, (Toronto: Praeger, 1988), 84

<sup>124</sup> Bothwell, *The Politics of Partnership*, 145

were legendary. He was also extremely capable, and was hired by the prime minister precisely because it was difficult to imagine the Americans riding rough-shod over Simon Reisman.<sup>125</sup>

With Reisman at the helm, the Canadian negotiation team was sure to be tough and unyielding. He quickly put together an elite staff of public servants who matched his impressive credentials and truly complemented his acerbic personality. After a protracted courtship, Reisman convinced Gordon Ritchie, another well-respected deputy minister, to serve as the deputy trade negotiator for Canada.<sup>126</sup> Soon, Michael Hart and Bill Dymond, two Canadian trade experts, joined the staff. Reisman had assembled a full team of some of Canada's most competent officials dedicated exclusively to the negotiation. The Trade Negotiation Office (TNO), headquartered in the lavish Metropolitan Life Tower in Ottawa, was beginning to take shape.

Upon its completion, the TNO immediately began preparations for the upcoming trade talks. The Canadian business community was actively engaged throughout this process. Extensive consultations, for instance, were conducted across Canada, sector by sector. Replicating a similar system used in the United States, an overarching advisory committee, comprised of sectoral representatives and trade associations was promptly established. A two-tiered consultative structure, composing of the International Trade Advisory Committee (ITAC), and the Sectoral Advisory Groups on International Trade (SAGITs), provided the TNO with a window into the private sector. The members of these committees were, in the words of Hart, "carefully selected."<sup>127</sup> The ITAC, for example, was headed by Walter Light, the former chief executive of Northern Telecom

<sup>125</sup> Doern and Tomlin, 7

<sup>126</sup> For an inside account of Ritchie's decision to join the negotiating team, see Gordon Ritchie, *Wrestling with the Elephant: The Inside Story of the Canada-U.S. Trade Wars*, (Toronto: Macfarlane Walter & Ross, 1997), 60-65.

<sup>127</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

Limited, Canada's largest high technology export-oriented company.<sup>128</sup> The "Light Brigade," as it became known, comprised of thirty-eight members representing all major sectors of the Canadian economy, including many representatives of the BCNI.<sup>129</sup> The process also offered a marvelous opportunity for business to insinuate its voice in the preparatory stage. Task forces were launched to examine general issues, such as adjustment assistance, interprovincial trade barriers, the scope of the agreement, and multilateral trade issues. ITAC members met nearly every twelve weeks and had a direct link to the TNO through the attendance at its meetings by Ritchie, and, on occasion, Reisman. It proved to be a valuable source of "commercially relevant data" for the trade negotiators.<sup>130</sup> Through these *ad hoc* institutions, the BCNI and its business counterparts were able to contribute to the negotiation preparations.

The Council, in particular, was granted a "degree of access that exceeded that of other business groups."<sup>131</sup> Unlike most of its business counterparts, the BCNI had achieved, in the words of Burney, "a persistent consensus" among its members in favour of free trade.<sup>132</sup> This general concurrence, combined with its president's unrivalled political connections, endowed the Council with an elevated measure of clout in the eyes of the TNO and the government alike. Hence, the Council became a principal contributor to the government's negotiation strategy. D'Aquino's earlier proactive work on the issue

<sup>128</sup> Northern Telecom Limited, which subsequently changed its name to Nortel Networks Limited in 1995, was a founding member of the BCNI. See Roderick Oram, "Chief Executives Form Organization to Discuss General Economic Issues and Sponsor Research," *Globe and Mail*, (Toronto: 5 April 1977), B1-9.

<sup>129</sup> According to Ritchie, "The membership was a Who's Who of the elite of Canadian business, including such icons as David Culver of Alcan (a BCNI member), whose company had been hard hit by early American protectionism; Alf Powis of Noranda (a BCNI member), who may have been the single most important influence on Brian Mulroney; and Philippe de Gaspe Beaubien of Telemedia, whom I had first seen in action at Expo 67, where he was the czar of the world media." See Ritchie, 141.

<sup>130</sup> Interview with Michael Hart, Ottawa, 25 October 2006; Doern and Tomlin, 110-111; and Ritchie, 141.

<sup>131</sup> Doern and Tomlin, 105

<sup>132</sup> Interview with Derek Burney, Ottawa, 5 February 2007.

had thus made it *persona grata* in one of the most significant public policy debates in decades. He met frequently with the TNO during this period and often consulted directly with the prime minister and his cabinet. As Doern and Tomlin note, “the agenda and strategy for the negotiations remained to be set, and d’Aquino wanted to be at the centre of this process as well.”<sup>133</sup> Soon after the TNO was established, for example, d’Aquino provided Reisman with the BCNI’s in-house framework agreement. Although the Council’s draft accord anticipated many of the themes found in the final agreement, Reisman, perhaps due to his professional vanity, contended that the BCNI’s approach was neither sufficiently broad nor ambitious.<sup>134</sup> Nonetheless, the government and TNO turned to the Council during this preliminary period, as they would throughout the entire free trade negotiation, to provide a coherent big business perspective. While other business organizations continued to reflect the divisive nature of free trade, the Council’s ability to preserve its cohesion and to articulate its affirmative position in a lucid manner made it a valuable partner in the preparations and throughout the negotiation process.

Before negotiations could commence, President Reagan needed to obtain congressional approval for his proposed actions. Reagan chose to invoke the “fast-track” authority held by the American president. This executive authority, granted in the *1984 Tariff and Trade Act*, ensured that once an agreement was reached, Congress would have to simply adopt it or reject it in its entirety, without altering its contents. For Canada, as Doern Tomlin note, “this meant that American commitments made in the negotiations could not be undone piecemeal by Congress.”<sup>135</sup> For the U.S. administration, fast-track

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<sup>133</sup> Doern and Tomlin, 104

<sup>134</sup> Reisman’s private criticism of the Council’s plan is taken from Doern and Tomlin, 104; and interview with Michael Hart, Ottawa, 25 October 2006.

<sup>135</sup> Doern and Tomlin, 36

authority only required the approval of the House of Representatives ways and means committee and the Senate finance committee rather than a two-thirds vote in the general. No objection was raised by the House committee, where Democratic chairman Dan Rostenkowski and his partisan colleague Sam Gibbons, the chair of the sub-committee on trade, were both strong supporters of trade liberalization.

The Senate, however, proved to be far more resistant. Domestic politics, largely based on local sectoral concerns and partisan squabbling, threatened to undermine the crucial vote. Months earlier, President Reagan had vetoed a Senate bill to provide aid to the embattled textile industry, an act which provoked widespread discontent within the legislative ranks. Thus, the Congress, generally dissatisfied with the administration's trade policy and a growing trade deficit, put the president's proposed trade initiative with Canada at risk. Both Democrats and Republicans publicly mused about disallowing the negotiations to proceed. When the Senate finance committee hearings on the president's request for negotiating authority opened on 11 April 1986, this politically-driven imbroglio provoked alarm in Ottawa. According to Burney, "Clayton Yeutter, the U.S. trade representative, had done little advance work, assuming, incorrectly, that the resolution would easily pass."<sup>136</sup> As the first session commenced, it became clear that a majority of the committee members, including its Republican chairman, Robert Packwood, were prepared to veto the start of the negotiations.<sup>137</sup> The Canadian government feared the worst; its free trade initiative would cease before it had even started. That first meeting eventually concluded with neither a resolution nor any reasons for optimism. In Ottawa, Burney, now the associate under-secretary of state in the

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<sup>136</sup> Burney, 109

<sup>137</sup> Packwood, a free-trader in principle, was under immense pressure from the powerful lumber industry in his home state of Oregon. See Doern and Tomlin, 37

department of external affairs, and other senior Canadian officials pressed the U.S. administration to place further pressure on the committee members. American and Canadian officials scrambled furiously in Washington to gather the necessary numbers of affirmative votes. Tactics of coercion, inducement and persuasion were exhausted. One Senator from Hawaii, for example, was reminded pointedly about the importance of Canadian visitors to his state's tourism industry.<sup>138</sup> On 26 April, as the committee proceedings resumed, a small group of Canadian officials anxiously huddled into the prime minister's office to await the verdict. Late in the afternoon, after some presidential arm-twisting and vigorous lobbying on the part of Alan Gotlieb, Canada's ambassador to Washington, the vote resulted in a deadlock – ten-to-ten. Under Senatorial protocol, a tie, however, went to the affirmative; the president had obtained his negotiating authority. Despite moments of real uncertainty, all obstacles to free trade negotiations had been overcome. Still, the disorganized and dispassionate nature of the American response greatly troubled the Canadians. Indeed, as Burney notes, "...[the Senate vote] served as ominous prelude to the negotiations themselves."<sup>139</sup>

Although Reagan had publicly committed his administration to the bilateral negotiations and had privately assured the prime minister of his personal support for free trade, his choice of Peter Murphy, a relatively unknown trade official, as the chief American negotiator implied otherwise. While he had previously served as the US ambassador to the GATT, Murphy, according to Burney, "was not well known, not even in Washington."<sup>140</sup> He had no direct relationship with the president or any of Reagan's cabinet members. And, while he did have considerable experience in multilateral and

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<sup>138</sup> Burney, 109

<sup>139</sup> Burney, 109

<sup>140</sup> Ibid.

sectoral negotiations, he had no familiarity with the rough and tumble nature of comprehensive negotiations, especially with an adversary like Reisman, who, in all respects, was his younger adversary's diametric opposite. Indeed, their innumerable differences were striking. Their personalities would soon clash and lead to a complicated and shaky relationship. "Rather than making for good chemistry....these opposites did not attract," Doern and Tomlin rightly observe.<sup>141</sup> Naturally, the appointment of Murphy unnerved the Canadian delegation, and worried the government. It definitely gave the impression that the American administration had placed far less significance on the negotiations. In the words of Burney, "...[Canada had appointed] this icon who wanted to rewrite the history of the world, this gladiator; they put forward a middle-level bureaucrat."<sup>142</sup> Although in the end, he proved to be a fairly competent negotiator, it became clear soon into the negotiations that "Murphy ...had no real mandate to strike a deal."<sup>143</sup>

The negotiations began in earnest in the spring of 1986. In monthly sessions, usually alternating between Ottawa and Washington, the TNO and the American contingent met to discuss the major components of an agreement. While the Canadians focused on broad issues, such as the establishment of a binational procedure for reviewing administrative trade decisions, Murphy seemed preoccupied with a petty list of trade irritants that the U.S. sought redress. His disinclination to move beyond trivial matters stalled progress, and infuriated Reisman, who, in the words of Burney, "thought big and acted bigger."<sup>144</sup> In addition, Murphy's laconic demanour and cryptic demands

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<sup>141</sup> Doern and Tomlin, 7

<sup>142</sup> This quotation was later reprinted in MacDonald, 204

<sup>143</sup> Ibid.

<sup>144</sup> Burney, 109

were often a source of significant contention. “It seemed painfully clear,” Ritchie observes, “that these middle-level functionaries had no mandate even to contemplate an agreement that would require changes to the sacred policies and programs that Congress had approved with the blessing of the domestic constituency.”<sup>145</sup> In the absence of a genuine negotiating partner, the Canadian delegation grew increasingly frustrated with a lack of progress in the areas that Canada sought remedy.

With the negotiations seemingly at a stalemate, the BCNI worked actively behind the scenes to breach the impasse. It organized, for example, an emergency bilateral meeting with members of the Business Roundtable in November 1986.<sup>146</sup> The private meeting, chaired by d’Aquino, provided the impetus for closer relations between the two blue chip organizations. It also encouraged the American business leaders to intensify their pressure on the U.S. negotiators and key politicians to achieve an agreement. These closed door activities, although largely undocumented, helped to steer the negotiations when they threatened to “go off the political rails.”<sup>147</sup> D’Aquino’s personal chivvying of the American business community was, according to Burney, “the BCNI’s greatest contribution to the free trade negotiations.”<sup>148</sup> With the support of the Business Roundtable and access to American policymakers, the Council was in a unique position to provide behind-the-scenes support to the TNO and to ensure that an agreement – one that conformed to the commercial interests of its members – was ultimately reached.

Besides its important private activities, the Council continued to champion free trade in the public arena. With the negotiations stalled, Canadian public opinion

<sup>145</sup> Ritchie, 77

<sup>146</sup> Doern and Tomlin, 106

<sup>147</sup> Ibid., 105

<sup>148</sup> Interview with Derek Burney, Ottawa, 5 February 2007.

remained, by all accounts, unpredictable. A poll conducted by Environics in March 1986, for instance, indicated that support for free trade had fallen dramatically.<sup>149</sup> Hence, the Council once again organized a strategic public offensive. D'Aquino and others, like Powis, gave speeches at business functions and public forums to rally support for free trade. "The purpose of a comprehensive free trade would be twofold," d'Aquino declared at a meeting of the Kiwanis Club of Ottawa in June 1986. "First, it would expand market access through the gradual phasing out of tariffs and other trade barriers. Second, it would provide for more secure access by defining clear rules and by reducing the scope of trade sanctions. A trade dispute avoidance and resolution mechanism should be a high priority in a Canada-U.S. agreement leading to free trade."<sup>150</sup>

At the same time, the Council's public advocacy reached beyond the Canadian border. In a speech to the international conference of the Financial Executives Institute in Denver, Colorado, d'Aquino encouraged the American private sector to join the Council in its lobbying campaign to stem protectionism. "...The private sector here [in the United States] and in Canada can help...by fighting protectionism aimed at each other," he declared.<sup>151</sup> Without the continued support of the business community, he warned, the opportunity for trade liberalization would be lost – an outcome with dire repercussions. "If the protectionists win the day, the results will be predictable," d'Aquino apocalyptically proclaimed. "Jobs will be lost on both sides of the border. Consumers

<sup>149</sup> The poll showed that overall support for free trade had declined to 54 percent from 58 percent in November and from 78 percent in April 1984. At the same time, public opposition during the previous twenty-one months had doubled from 17 percent to 35 percent. Indecision on the issue had also climbed from 5 percent to 11 percent. See Michael Adams and Donna Dasko, "Free Trade Divides Canada, Poll Finds," *Globe and Mail*, (Toronto: 22 March 1986), A12.

<sup>150</sup> This quotation is taken from a speech given by d'Aquino to the Kiwanis Club of Ottawa at the Chateau Laurier on 27 June 1986.

<sup>151</sup> This quotation is taken from a speech given by d'Aquino to the 55<sup>th</sup> International Conference of the Financial Executives Institute in Denver on 30 September 1986.

will pay more for their products both in your country and mine. Vital adjustments in our industries and labour forces will be postponed. Trade actions and counteractions will gradually poison the excellent economic relations we have known for many years. And before long, our political relations which have improved significantly in the past two years – due largely to the personal efforts of your president and my prime minister – will begin to deteriorate.”<sup>152</sup> It was a trenchant message that d’Aquino espoused with great clarity on both sides of the forty-ninth parallel. If the negotiations failed, the consequences would undoubtedly have perverse implications for business on either side of the border. Determined to keep the negotiations on track, the BCNI maintained a high public profile and emerged as the undisputed private sector voice in favour of free trade.

Its efforts were given a tremendous boost in September 1986 when David Culver, the chief executive officer of Alcan Aluminum Limited, succeeded Fazee as the Council’s chairman. Alcan was perhaps Canada’s quintessential global corporation.<sup>153</sup> Culver, who had completed graduate studies at Harvard Business School, was a firm supporter of free trade. His globally-oriented worldview was, in part, the product of his American education and, in part, the nature of his firm’s export-driven business. Before obtaining the top position with Alcan, for example, he had been responsible for international sales – a position which took him to Geneva, New York and the Caribbean. As a rising senior executive, Culver had witnessed first-hand the damage caused by American protectionism, and began to see a free trade arrangement as a panacea that would eliminate volatility and ensure stable access to the U.S. market. In this sense, Culver – unlike many of his private sector contemporaries – recognized the emerging

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<sup>152</sup> Ibid.

<sup>153</sup> For further discussion of Alcan’s global orientation, see Duncan Campbell’s three volume study, *Global Mission: The Story of Alcan*, (Toronto: Ontario Publishing Company Limited, 1985).

shift towards market liberalization and global trade occurring in the international economy. Upon assuming the Council's chairmanship, he, like d'Aquino, emerged as an effective diplomat, who exploited his broad network of influential contacts in Ottawa and Washington to support the negotiations.<sup>154</sup> For these reasons, Culver rapidly became a leading public supporter of free trade and an integral figure in the Council's multifaceted public advocacy campaign.

His first major contribution to the free trade cause would have major organizational implications for the BCNI's public advocacy campaign. As the winter snow thawed in Ottawa in 1987, a web of powerful interest groups opposing trade liberalization surfaced in the nation's capital. At the hub of this lobbying web was the Pro-Canada Network (PCN), which brought together fifteen major groups representing the arts, churches, farmers, labour, native people and women.<sup>155</sup> The PCN orchestrated a highly-effective public campaign against the negotiations and any resultant agreement, which included radio and television commercials, petitions, public debates and lobbying of individual members of Parliament. The PCN, in short, threatened to undermine the Council's own public advocacy campaign. "The opposition movement to free trade was professional and well-organized," McKeough recalls, "Brian [Mulroney] needed all the help he could get."<sup>156</sup>

Therefore, in the early spring of 1987, Culver hosted a private meeting in Montreal, which brought together seniors members of the BCNI and representatives of

<sup>154</sup> According to Macdonald, "...Culver was much more diplomatic and effective at presenting a broad perspective [in favour of free trade] than most business leaders." See interview with Donald S. Macdonald. Toronto, 10 November 2006.

<sup>155</sup> The major players in the PCN were the Canadian Teachers Federation, the Canadian Conference of Catholic Bishops, and, of course, the BCNI's long-time rival, the CLC. See Phillip Mathias, "Anti Free Traders Mount Big Push," *Financial Post*, (Toronto: 3 August 1987), 8.

<sup>156</sup> Interview with Darcy McKeough, Toronto, 8 November 2006.

the other major business organizations in Canada.<sup>157</sup> At the meeting, a strategic counter-offensive was conceived. The Canadian Alliance for Trade and Job Opportunities (CATJO) was born. The new ad hoc organization, which was to be co-chaired by Macdonald, the former Liberal finance minister and chair of the Royal Commission on the Economic Union and Development Prospects for Canada, and Lougheed, the former Conservative premier of Alberta and an advocate for free trade, consisted of nearly every major business group in Canada.<sup>158</sup> In addition to its bipartisan co-chairmen, the CATJO executive boasted a list of impressive private sector figures, such as Culver, d'Aquino, and McKeough of the BCNI; John Bulloch, the president of the Canadian Federation of Independent Business; Phillippe de Gaspe Beaubien, chairman of the Montreal-based communications company Telemedia Incorporated; Charles Hantho, the vice-chairman of the CMA; and John Herrick, the vice-chairman of the Canadian Chamber of Commerce. The CATJO reflected a growing sense inside the BCNI that its public advocacy campaign required more broadly-based business support.<sup>159</sup> It was created, in the words of McKeough, “to spread a bigger net.”<sup>160</sup>

By working alongside its organizational counterparts, the BCNI hoped to achieve greater concurrence across the business spectrum and to promulgate a message that resonated more deeply with the Canadian public. Its mandate was straightforward: the CATJO was established to “get out in the public and to respond to the powerful

<sup>157</sup> Prime Minister Mulroney also made a brief appearance at the meeting. Interview with Donald S. Macdonald, Toronto, 10 November 2006.

<sup>158</sup> The Alliance included representatives from the BCNI, the Canadian Chamber of Commerce, the CMA, and the Canadian Federation of Independent Business. See Christopher Waddell, “Ex-Politicians Head new Business Lobby Boosting Free Trade,” *Globe and Mail*, (Toronto: 19 March 1987), A1-2; and Canadian Press, “Blue-Ribbon Group set up to Push Free Trade,” *Montreal Gazette*, (Montreal: 20 March 1987), D5.

<sup>159</sup> According to Culver, “we needed something beyond the limited membership of the BCNI.” Interview with David Culver, Montreal, 13 December 2006.

<sup>160</sup> Interview with Darcy McKeough, Toronto, 8 November 2006.

emotional messages of the anti-free trade forces.”<sup>161</sup> With McKeough as its chief fundraiser, the new organization used its extensive financial resources to plan a major advertising campaign designed to assuage the Canadian public’s fears about continental free trade.<sup>162</sup> The CATJO immediately emerged as a formidable organization that was well-positioned to confront the growing anti-free trade movement. In this sense, its inception marked, according to Macdonald, “...a critical point the progression of the free trade story.”<sup>163</sup>

Headquartered in the Alcan offices in Montreal, the CATJO wasted little time in making its mark on the Canadian political landscape. Macdonald and Lougheed crisscrossed the country advancing the case for free trade. D’Aquino and others actively spoke out publicly against the critiques of the PCN and other free trade opponents. Although the BCNI remained committed to its strategic approach of constructiveness, its members were prepared to counter the *ad hominem* attacks of the PCN. As Hart notes, “the CATJO was designed to wage an offensive to offset the erroneous claims of the anti-free trade forces.”<sup>164</sup> Under the auspices of CATJO, d’Aquino discarded his guarded approach and confronted the rival forces with greater zeal and virulence. At a press conference in Toronto, for instance, he warned Canadians to be “deeply suspicious of anyone who uses...intellectual terrorism to disguise the facts.”<sup>165</sup> In other speeches, he railed against those who, in his opinion, wrongly characterized themselves as

<sup>161</sup> Interview with David Culver, Montreal, 13 December 2006.

<sup>162</sup> According to some reports, the CATJO quickly accumulated a war chest in excess of \$2.4 million dollars. See Martin Cohen, “Real Patriots Support the PM on Free Trade Deal, Business Says,” *Toronto Star*, (Toronto: 22 October 1987), A1-A9; and Hart, Dymond and Robertson, 244-245.

<sup>163</sup> Interview with Donald S. Macdonald, Toronto, 10 November 2006.

<sup>164</sup> Interview with Michael Hart, Ottawa, 25 October 2006.

<sup>165</sup> See Canadian Press, “Big Business Hits at Trade Critics,” *Toronto Star*, (Toronto: 25 October 1987), B7; and Editorial, “Venom, not Reason from Big Business,” *Toronto Star*, (23 October 1987), A22.

“nationalists.”<sup>166</sup> On the contrary, the “real patriots,” according to d’Aquino, were the free trade supporters, who believed that Canadian enterprise could compete with American firms.<sup>167</sup> He was, in the face of mounting opposition, the commanding voice for trade liberalization. “Tom d’Aquino put his reputation on the line,” Macdonald recounts, “and whether it was the CLC or the PCN, he seemed prepared and willing to take on a sumo giant.”<sup>168</sup> With greater cohesion and enhanced business support, the BCNI and its unrelenting president advanced the intellectual case for free trade with tremendous passion.

While the Council spiritedly defended free trade in the public domain, the state-to-state negotiations continued to flounder. Under his “fast-track” authority, Reagan was legally bound to formally notify U.S. Congress by Saturday 4 October 1987 that a deal had been completed. As the deadline approached, the prospects for an agreement grew dimmer. The Canadian delegation was exasperated at the Americans’ unwillingness to compromise or even negotiate in good faith. After one particularly confrontational plenary session, the Canadians had simply had enough.<sup>169</sup> On 23 September 1987, Reisman and his team of negotiators – with the privately-expressed support of the prime minister – walked out of the Washington boardroom and promptly returned to Ottawa.<sup>170</sup>

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<sup>166</sup> See speech given by d’Aquino to a McGill University Conference on Canada-U.S. Free Trade, entitled, “Trucks and Trade with the Yankees: The Case for a Canada-United States Comprehensive Trade Agreement,” in Montreal on 19 March 1987.

<sup>167</sup> See Martin Cohen, “Real Patriots Support the PM on Free Trade Deal, Business Says,” *Toronto Star*, (Toronto: 22 October 1987), A1-A9.

<sup>168</sup> Interview with Donald S. Macdonald, Toronto, 10 November 2006.

<sup>169</sup> “The meeting went from bad to worse,” Ritchie writes. “Having stiffed us on the issues of subsidies, they repeated the performance on the thorny issue of duties against dumped imports. Their proposal was to study the matter jointly over the next ten years.” See Ritchie, 91.

<sup>170</sup> See Burney, 112; and Ritchie, 92.

With only a month to go before congressional fast track authority expired, it appeared that the negotiations were over.<sup>171</sup>

After Reisman broke off talks, however, the BCNI sprung into action to reignite the negotiations. In a press statement, d'Aquino urged “the [American] administration and Congressional leaders as well as our private sector counterparts in the United States to support the establishment of an effective dispute resolution apparatus.”<sup>172</sup> He hurriedly invited Robinson of the Business Roundtable to Toronto for private discussions. The BCNI president, worried that American obstruction threatened its plan for enhanced continental integration, spoke bluntly. His organization, although still openly supportive of an agreement, concurred with Reisman’s decision to halt the negotiations. The Council, itself, was disillusioned with the futility of the negotiations and the American’s aversion to address many of the most pressing issues facing its membership. If the negotiations ultimately failed, he emphatically warned once again, the consequences would be far-reaching, including the inevitable defeat of the Mulroney government, which had now tied its electoral future to the success of the negotiations, and its replacement with one far less disposed to business interests and market demands. According to Doern and Tomlin, “Robinson delivered the message to Reagan and [treasury secretary James] Baker within hours.”<sup>173</sup> With the negotiations on the brink of collapse, d’Aquino, the quintessential diplomat, exploited his powerful connections in Washington to facilitate a political solution.

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<sup>171</sup> “Flying back to Ottawa,” Ritchie recalls, “I personally believed that there was only about one chance in ten that an agreement could be salvaged.” See Ritchie, 93.

<sup>172</sup> BCNI, Press Release, “Canadian Business Leaders say Effective Dispute Resolution Key to Success to Canada-United States Trade Talks,” (Ottawa: 24 September 1987)

<sup>173</sup> Doern and Tomlin, 107

Similar discussions quickly ensued between the prime minister's office and the White House. After months of feeble palaver the American administration seemed more focused and less aloof. Hence, Burney, now Mulroney's chief of staff, traveled to Washington along with Wilson, and Pat Carney, the international trade minister, to see if the negotiations could be revived. Reagan, perhaps sensing the potential magnitude of failure at last, authorized Baker, "the unchallenged second-in-command of the administration," to meet with Canadian delegation.<sup>174</sup> While the Canadian government remained pessimistic about the prospects of a deal, the involvement of Baker signaled a dramatic shift in the U.S. administration's comportment. "Finally," Ritchie notes, "we were talking to someone who actually had a mandate to negotiate and the ability to deliver on his commitments."<sup>175</sup> There followed a series of telex exchanges and telephone conversations mainly between Burney and Baker. After careful consideration, Mulroney – convinced that the American overtures were sincere – committed his government to one final attempt at conciliation. Negotiations would resume with greater political oversight and participation. Indeed, the significance of the BCNI's private intervention cannot be understated. As Doern and Tomlin note, "...[it] helped to bring the negotiators back to the table for the final bargaining session in October 1987."<sup>176</sup>

Negotiations resumed in Washington on 2 October, thirty six hours before congressional authority was to expire. The Canadian contingent, now led by Burney, entered into a marathon negotiation session with the Americans. With Baker at the helm, the discussions ran much smoother. The two sides worked their way through the main elements of any agreement, consciously setting aside issues of persistent variance, such

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<sup>174</sup> Ritchie, 97

<sup>175</sup> Ibid., 98

<sup>176</sup> Doern and Tomlin, 107

as investment and unfair trade rules, for later resolution. One by one, the issues were identified and quickly resolved. The Canadians, contending with sleep deprivation and general fatigue, remained firm in the face of sporadic American petulance. A private breakfast between Burney and Baker the next morning cleared the air for more constructive dialogue. Burney outlined the government's readiness to compromise on the investment question, if the Americans consented to Canada's unyielding demand for a trade dispute settlement process. As the sun began to descend and the Americans continued to prevaricate, the midnight deadline loomed ominously over the negotiations. Late that evening, Baker burst into a Treasury office where the Canadians sat exhausted and dejected and flung a document across the desk. "All right, you can have your goddamn dispute settlement mechanism," he declared. "Now can we send the report to Congress?"<sup>177</sup> After months of painstaking negotiations and times of seemingly intractable conflict, an acceptable settlement had been attained.<sup>178</sup> On Saturday 3 October 1987, six minutes before the legal deadline, President Reagan formally notified the U.S. Congress that a deal had been reached.

The negotiators had shaped a tentative agreement that still required legislative assent in Canada and the United States. Although the agreement was only a draft, the essential points would not be altered. Canada and U.S. had accepted in principle a comprehensive agreement that outlined the procedural substratum that would regulate future bilateral free trade. Its major aim was the removal of all tariffs between the two nations by 1 January 1999.<sup>179</sup> The agreement also established an *ad hoc* panel of binational judges to review unfair trading practices and whose rulings would be binding

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<sup>177</sup> An account of Baker's surly entrance can be found in Burney, 119.

<sup>178</sup> For a thorough account of the tumultuous negotiations, see Burney, 116-120; and Ritchie, 93-120.

<sup>179</sup> See Mahant and Mount, 274

on both governments. Put simply, the BCNI was relieved. “The conclusion of the draft Canada-United States free trade agreement,” d’Aquino declared in a press release, “is the triumph of reason and good sense in the face of fear, prejudice and protectionism on both sides of the border.”<sup>180</sup> Although the draft agreement was imperfect in some areas, the Council endorsed its principal elements. “It establishes the basis for a sound, rational and more predictable trading relationship between Canada and the United States,” d’Aquino concluded.<sup>181</sup> To provide its members with their own internal assessment of the accord, the Council held a general meeting at the Four Seasons Hotel in Toronto on 20 October. The meeting, which was attended by the prime minister, helped to facilitate an honest and fruitful internal debate. By the meeting’s conclusion, McKeough remembers, “100 per cent of the BCNI supported free trade.”<sup>182</sup> With a firm internal consensus in favour of the tentative agreement, the Council was now able to focus its attention on striking a political compromise. Perhaps anticipating the partisan imbroglio that was to follow, d’Aquino and the BCNI called upon individual members of Parliament and the ten Canadian premiers “to put aside partisan concerns and to approach the draft agreement with the national interest as the foremost consideration.”<sup>183</sup> The draft agreement marked the near culmination of the Council’s effective lobbying campaign. The BCNI would, nonetheless, continue to run interference for the agreement in Ottawa.

Ultimately, the legal agreement was finalized, and on 2 January 1988 the prime minister and the president officially signed the agreement. But, as Burney rightly notes,

<sup>180</sup> BCNI, Press Release, “Draft Canada-U.S. Trade Agreement is a Positive Initiative, say Business Leaders,” (Ottawa: 7 October 1987)

<sup>181</sup> Ibid.

<sup>182</sup> Interview with Darcy McKeough, Toronto, 8 November 2006.

<sup>183</sup> BCNI, Press Release, “Draft Canada-U.S. Trade Agreement is a Positive Initiative, say Business Leaders,” (Ottawa: 7 October 1987)

“the real battle had only just begun.”<sup>184</sup> Canadians generally remained lukewarm about free trade and the anti-free trade forces, led by PCN, had “put together one of the single most powerful lobbies seen on the national scene in years.”<sup>185</sup> And, since the agreement required both nations to adopt concurrent legislation in conformity with the accord, a political standoff in the House of Commons was potentially on the horizon. The BCNI was once again ready to participate in the fractious debate.

After the agreement was signed, BCNI members traveled frequently to Washington to pressure congressional members to overcome their protectionist proclivities and vote in favour of the deal. The agreement, nevertheless, did not meet much opposition in the United States Congress. Under the fast-track authority granted to President Reagan, the legislative branch lacked the legal capacity to amend the bilateral agreement. In Canada, conversely, the agreement provoked substantial criticism and resistance. As one observer noted, “[free trade became] one of the most hotly debated international political issues in Canadian history.”<sup>186</sup>

Indeed, the opposition parties were closely united in their firm opposition to the free trade agreement. Both leaders, Ed Broadbent and Turner, of the New Democratic Party (NDP) and Liberals respectively, adopted a “nationalist” stance and decried the agreement as a “sell out” of Canada. In both cases, their inflated rhetoric was explosive. The “Rat Pack” – Brian Tobin, Shelia Copps, Sergio Marchi and Don Bourdria, – all newly elected Liberal MPs who had made a reputation for themselves as aggressive critics of the government, were unleashed and used every possible pretext in the House of

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<sup>184</sup> Burney, 123

<sup>185</sup> Les Whittington, “PM’s not Out of the Woods on the Free Trade Issue,” *Vancouver Sun*, (Vancouver: 5 October 1987), B7

<sup>186</sup> Barton, 126

Commons to lambaste the government and the agreement. Not to be outdone, the NDP engaged in a series of vitriolic attacks against the pending agreement. It was, the party suggested, an agreement made on “Bay Street” that was against the interests of “Main Street.” Nelson Riis, for instance, the New Democratic house leader, condemned the government’s “corporate agenda....that was reshaping Canada as part of a continental order.”<sup>187</sup> The NDP’s vociferous position appealed to a sizeable faction of the general public. By emphatically opposing the agreement, the left-wing party “stole an early march on the divided Liberals, and made a bid for the support of all the lobbies and interests which opposed free trade.”<sup>188</sup> In fact, for two straight years from September 1986 to August 1988, Broadbent topped the polls as the leader that the public would most prefer to have as prime minister. In the face of this mounting parliamentary opposition, John Crosbie, the only candidate to publicly endorse continental trade liberalization in the 1983 Conservative leadership race, was appointed as international trade minister on 31 March 1988 to pilot the legislation through Parliament and to convey a stronger, more confident public voice in defending the agreement.<sup>189</sup> Despite their opposition to the deal, the Liberals and the NDP were powerless to stop its passage through the House of Commons. It looked like the deal was home free.

By June 1988, however, as the legislation hurriedly made its way through the Commons, the potential for a full-scale conflict began to mount. For months, Crosbie and Liberal Senate leader Allan MacEachen had been warily circling one another over how the Liberal-dominated Senate would approach the agreement. Crosbie had repeatedly and

<sup>187</sup> Canada, House of Commons *Debates*, (Ottawa: 1 December 1987), 14317

<sup>188</sup> Anthony Westell, “Setting the Stage,” In Alan Frizzell, Jon H. Pammett and Anthony Westell, (ed.) *The Canadian General Election of 1988*, (Ottawa: Carleton University Press, 1989), 13

<sup>189</sup> See David Stewart-Patterson, “Crosbie’s Political Footwork is Key to Success or Failure on Free Trade,” *Globe and Mail*, (Toronto: 1 April 1988), A5.

vocally demanded that the Senate give the bill a timely, no-nonsense passage. While MacEachen, a veteran of countless parliamentary quarrels, had indicated the Liberal Senators had no intention of halting the bill, “his professions...of good faith [did] not seem to soothe Crosbie’s jangled nerves.”<sup>190</sup> “If Senator MacEachen obstructs this or unnecessarily delays it,” Crosbie defiantly warned, “then the issue will be quite clear to the Canadian people.”<sup>191</sup> As August loomed, the Liberals, despite Crosbie’s unveiled threats, stonewalled deliberations on the agreement in the Senate. Later that month, Turner “took almost everyone by surprise,” when he announced that he had instructed his senators not to consider the facilitating legislation until the Canadian people had been given a chance to vote on the issue.<sup>192</sup> The government could not postpone matters to 1989 if free trade was to be implemented on schedule in January. Therefore, on 30 September, Prime Minister Mulroney called on the governor-general and proposed an election for 21 November.

Mulroney’s election call precipitated one of most emotionally-charged campaigns in Canada’s history. Ever since he had affirmed his intention to pursue an agreement in the House of Commons in 1985, the issue had dominated public discourse and parliamentary debate in Canada. In 1986, for example, Liberal trade critic and firm opponent to trade liberalization, Lloyd Axworthy, dramatically warned the government that “if the Prime Minister [wanted] to take a suicide run, then that [was] his business.”<sup>193</sup> Other opposition members had also frequently expressed their desire to participate in an

<sup>190</sup> Madelaine Drohan, “Free Trade Collision Looming: Crosbie and MacEachen Toe-to-Toe as Bill Approaches Senate,” *Financial Post*, (Toronto: 11 July 1988), 5

<sup>191</sup> Ibid.

<sup>192</sup> See Stephen Clarkson, “The Liberals: Disoriented in Defeat” In Alan Frizzell, Jon H. Pammett and Anthony Westell, (ed.) *The Canadian General Election of 1988*, (Ottawa: Carleton University Press, 1989), 34.

<sup>193</sup> Canada, House of Commons *Debates*, (Ottawa: 6 June 1986), 14095

election predicated on free trade. The delaying tactics of the Liberal senators and Mulroney's preordained election call presented them with this political opportunity. As the election writ was dropped on 1 October, the members of the BCNI held their collective breath. The unpredictable nature of electoral politics had the potential to derail the agreement that the Council had worked so hard to attain. As a non-partisan organization, moreover, an election presented real challenges. With both opposition parties united in their fervent opposition to free trade, the BCNI – by speaking out in favour of the agreement – would be, in a sense, campaigning on behalf of the Conservative government. It was a precarious position that the organization, since its inception, had aimed to avoid. Still, while an election had not been part of the Council's original lobbying strategy, it refused to sit on the sidelines. It was determined to see its policy initiative through to its fruition.

In the first week of the campaign, Culver and d'Aquino announced that the CATJO, despite its initial inclination to cease its activities in July, would continue to function during the campaign. "The Alliance is not asking anybody to vote one way or another," Culver told a news conference in Toronto. "What we're asking them to do is consider the facts of an agreement which has been signed, studied and debated for a long time."<sup>194</sup> Its purpose was simple: the CATJO "[intended] to keep this debate accurate, by rebutting misinformation and reigning in exaggerated claims about the effects of free trade that may be made in the course of the campaign," declared Gerald Regan, the former Liberal trade minister, who had replaced Macdonald as the Alliance's co-chairman after he had been appointed the high commissioner to London a month

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<sup>194</sup> Brian Milner, "Group Reverses Election Stand on Free Trade," *Globe and Mail*, (Toronto: 7 October 1988), B10

earlier.<sup>195</sup> With ample coffers and the general support of the broader business community, the CATJO waded deeply into the broiling waters of electoral politics.

High-powered corporate executives began speaking out publicly and giving interviews in favour of free trade. Culver, for instance, participated in a series of call-in radio shows to defend the agreement. It was d'Aquino, however, who emerged as free trade's most dynamic spokesperson. "For someone accustomed to the privacy of lobbying," Doern and Tomlin observe, "the behind-the-scenes power broker moved into an unaccustomed degree in the public spotlight in order to promote the agreement."<sup>196</sup> In a highly publicized television debate days before the first leaders' debate, d'Aquino matched wits with Bob White, the tall, thin president of the Canadian Auto Workers' Union, and Maude Barlow, the effective populist leader of the Council of Canadians and the PCN. The climatic debate, staged at Toronto's historic St. Lawrence Hall and shown on national television, reflected the passion that the free trade issue had induced throughout the country. D'Aquino, who had participated in some debate as a university student, was well-prepared. "I am a Canadian....I love Canada as much as Ms. Barlow and Mr. White love Canada. I would not support a deal that would in anyway impinge upon our sovereignty," he declared in his closing remarks.<sup>197</sup> His performance served the pro-free trade forces well. He was, in the words of Macdonald, "a truly dynamic champion of free trade."<sup>198</sup> While d'Aquino and the CATJO quickly proved adept at campaigning, the efforts of the Conservative Party seemed far less proficient.

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<sup>195</sup> Ibid.

<sup>196</sup> Doern and Tomlin, 207

<sup>197</sup> Canadian Broadcasting Company, "The Free Trade Debate," *The Journal*, Moderated by Barbara Frum, (Toronto: 17 October 1988), viewed on 10 August 2006.

<sup>198</sup> Interview with Donald S. Macdonald, Toronto, 10 November 2006.

In the months leading up to the election call, the New Democrats; strong opposition to the agreement had contributed to the growing support of the left-wing party in the polls. As the campaign commenced, Turner was determined to recapture potential voters who opposed free trade, and, therefore, “it was the Liberals who gave it a higher profile once the campaign began.”<sup>199</sup> By turning free trade into “the fight of [his] life,” Turner plunged into the campaign with more zeal and passion than he had shown during his previous four years in opposition.<sup>200</sup> In the leaders’ English debate on 25 October, Turner, suffering from severe back pain, resembled a “punch-drunk fighter,” who had returned to the ring for one more political donnybrook.<sup>201</sup> Indeed, the debate was critical for Turner and the Liberals. Mulroney had decisively beaten him in the 1984 debates and had confided to a staffer prior to the campaign that Turner simply “[could not] win an election.”<sup>202</sup> This time, however, Turner emerged as a formidable opponent. In one dramatic confrontation, he accused Mulroney of repudiating Canada’s independence: “I happen to believe that you have sold us out.” Ignoring Mulroney’s reprimand and repeated interruptions, Turner, as Azzi eloquently points out, “found the words to tap into English Canada’s perennial fear of falling into Uncle Sam’s grasping hand.”<sup>203</sup>

We built a country East and West and North. We built it on an infrastructure that deliberately resisted the continental pressure of the United States. For 120 years we’ve done it. With one signature of a pen, you’ve reversed that, thrown us into the north-south influence of the United States and will reduce us, I am sure, to a colony of the United States, because when the economic levers go the political independence is sure to follow.

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<sup>199</sup> Peter Maser, “On the Hustings,” In Alan Frizzell, Jon H. Pammett and Anthony Westell, (ed.) *The Canadian General Election of 1988*, (Carleton University Press, 1989), 59

<sup>200</sup> Linda Deibel, “Long Battle Over Free Trade Coming to an End,” *Toronto Star*, (Toronto: 24 December 1988), A1

<sup>201</sup> Interview with Derek Burney, Ottawa, 5 February 2007.

<sup>202</sup> Bothwell, *The Politics of Partnership*, 150

<sup>203</sup> Stephen Azzi, “Debating Free Trade,” *National Post*, (Ottawa: Jan. 14, 2006), A18

Despite Mulroney's best attempts to counter the rhetoric and to regain control of the debate, Turner remained on the offensive. Mulroney was dismissive, referring to the agreement as a "commercial document that is cancelable in six months notice." "Commercial document?" Turner was incredulous. "That document relates to....every facet of our life!" "Please be serious," Mulroney snorted. "Well, I am serious," Turner countered. "And I've never been more serious in my life."<sup>204</sup> While it may not have been a knockout punch, Turner's sharp verbal jabs stunned his opponent and the Conservative campaign. His stentorian performance, in short, resurrected the electoral prospects of the Liberal Party and brought the election's outcome startlingly into question.

In the days immediately following the decisive debate, the BCNI grew increasingly disturbed by the election's worrisome trajectory. The debate blowback, along with the activities of the PCN and other free trade opponents, contributed to a steady erosion of public support for the free trade agreement.<sup>205</sup> Fearing that the election was slipping away, the CATJO published a four-page insert entitled "Straight Talk on Free Trade" in thirty-five newspapers across the country on 3 November (See Appendix C for copy of CATJO advertisement). The advertising campaign, which cost about \$1.5 million, was designed to counter, what d'Aquino called, "the unprecedented scaremongering campaign" being waged by Turner and the PCN.<sup>206</sup> "It's not a panic move," he assured reporters, "The fear-mongering on the other side has increased

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<sup>204</sup> This historic exchange is captured in Azzi, "Debating Free Trade," *National Post*, (Ottawa: Jan. 14, 2006), A18.

<sup>205</sup> A poll conducted by Angus Reid for the Toronto Star indicated that 54 per cent of Canadians opposed the trade agreement. See Tracey Taylor, "Tories Letting Free Trade Treaty Slip Away, Business Group Warns," *Toronto Star*, (Toronto: 30 October 1988), A10.

<sup>206</sup> Madelaine Drohan, "Business Alarmed by Anti-Free Trade Swell," *Financial Post*, (Toronto: 1 November 1988), 1

substantially. It's important to get the facts out.”<sup>207</sup> Nor was it issued for partisan purposes. The Liberals and the NDP, in the eyes of the CATJO, had launched the first set of attacks. “All we’re doing,” d’Aquino explained, “is responding to a very high profile set of charges that have been bandied around across the country.”<sup>208</sup> While some observers speculated about its motives, the CATJO’s decision to step directly into the public arena reverberated across the country, especially in vote-rich Ontario where much of its resources were strategically directed.<sup>209</sup> “The punch back,” as Burney figuratively calls it, “was the BCNI’s greatest contribution to the campaign.”<sup>210</sup>

Within a week, the worrisome poll numbers started to reverse themselves, notably in the all-important Toronto suburbs, where the CATJO’s advertising had been deliberately focused.<sup>211</sup> In the end, despite Turner’s strong debate performance and Broadbent’s populist appeal, the Conservative Party, with immeasurable help from the BCNI, secured their second consecutive majority government. The Liberals and the NDP ultimately split the anti-free trade vote, allowing the government to maintain 169 seats in the House of Commons. The election victory brought with it a sense of accomplishment for d’Aquino and the BCNI. “I’m enormously relieved,” he told reporters the following day, “the politics of fear obviously did not prevail.”<sup>212</sup> Indeed, the Council’s role in the decisive victory cannot be understated. Its proactive policy work, its willingness to jump

<sup>207</sup> Tony Van Alphen, “Free Trade ‘Fear-Mongering’ Sparks Ad Blitz,” *Toronto Star*, (Toronto: 1 November 1988), B1

<sup>208</sup> Christopher Waddell, “Business Community Assails Critics Over Support of Free-Trade Pact,” *Globe and Mail*, (Toronto: 17 November 1988), B3

<sup>209</sup> According to one *Toronto Star* columnist, “Big corporations, many of them American, are spending lots of money to seduce Canadians into thinking the trade deal poses no threat to Canada’s future independence and sovereignty while also trying to sow the seeds of fear of what may happen if the deal doesn’t go through.” See David Crane, “Business is Pushing Trade Deal to Limit Government’s Powers,” *Toronto Star*, (Toronto: 12 November 1988), D2.

<sup>210</sup> Interview with Derek Burney, Ottawa, 5 February 2007.

<sup>211</sup> In fact, the poll numbers staggeringly rose at almost 1 per cent a day. See Burney, 130.

<sup>212</sup> Canadian Press, “Nothing can Stop Free Trade Deal, Business Groups Says,” *Toronto Star*, (Toronto: 22 November 1988), B11

national borders and its ability to knit together a fairly resilient consensus amongst correlative organizations, like the CMA and the Canadian Chamber of Commerce reflected a startlingly new model of business lobbying. Throughout the free trade story, d'Aquino had emerged as an irreplaceable character. "Combined with the personal energy and the contacts of its president, Thomas d'Aquino," Doern and Tomlin declare, "the BCNI's influence was unmistakable."<sup>213</sup> The BCNI's comprehensive model of business lobbying was, at least in part, a manifestation of its president. As a non-political actor, d'Aquino was free to engage both the Canadian and American governments, along with powerful American business leaders. He worked closely with the negotiators, for instance, to ensure that the commercial interests of the BCNI and its American counterpart, the Business Roundtable, were rarely neglected. The Council was able, moreover, to assemble a broadly-based business coalition that had helped steer the ensuing election debate. "If business interests, led by the BCNI and the CMA, had not changed their historic positions on the basic issue of free trade," Doern and Tomlin maintain, "the FTA would not exist."<sup>214</sup> With the election secured, the free trade agreement that the Council had so effectively advanced for nearly six years was achieved. The final stage of its public advocacy campaign, although at times turbulent and uncertain, had ultimately succeeded.

On 1 January 1989, the Canadian-United States Free Trade agreement became effective, and instantly "marked a new beginning in the Canadian-U.S. economic relationship."<sup>215</sup> The BCNI had successfully sold its continental vision to its membership;

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<sup>213</sup> Doern and Tomlin, 46

<sup>214</sup>Ibid., 108

<sup>215</sup> Maryse Robert, *Negotiating NAFTA: Explaining the Outcome in Culture, Textiles, Autos, and Pharmaceuticals*, (Toronto: University of Toronto Press, 2000), 25

the broader binational business community; both the Canadian and American governments; and lastly to the Canadian public. Ever since Laurier's overwhelming election defeat in 1911, bilateral free trade had been seen as unattainable throughout Canadian political circles. "I gave my first speech on Canada-U.S. free trade back in 1981," d'Aquino remembers, "back when no one was remotely interested. In fact, I'd go further. People thought it was a pipe dream, that it would never go anywhere, never work, that there was no constituency for it."<sup>216</sup> But, by advancing its well-researched case for free trade in a methodical and proactive manner, the BCNI had effectively managed to place trade liberalization at the top of the public policy agenda. The powerful winds of change, in short, had been masterfully directed by the Council.

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<sup>216</sup> Reflections on a Quarter Century of Business Leadership on Behalf of Enterprise and Country, A Conversation with Thomas d'Aquino, president and chief executive officer of the BCNI, on the Occasion of the Twenty-Fifth Anniversary of the BCNI, 9 May 2001.

## **Chapter Five: Epilogue**

The fundamental relationship between business and government in Canada has deeply-rooted historical foundations that pre-date Confederation. From the formative period of colonial exploration and early staple development to the present epoch of globalization and e-commerce, the Canadian business class has “always had a tremendous influence over policy-making and administration by government.”<sup>1</sup> The way in which this influence has been exercised, however, underwent a critical transformation in the second half of the twenty century. Until the 1960s and 1970s, the position of business had gone largely unchallenged. The size of Canadian government was modest and its intervention in the economy was limited. In this laissez-faire national existence, the business class exercised tremendous influence both on the nation’s economic management and the nature of the Canadian state. As the visible hand of government became further reaching, however, other interests rapidly emerged. These multifarious and often divergent voices challenged the predominance of business in the Canadian public policy forum. Successive governments were forced, for the first time, to balance the public policy demands of competing national, regional and socio-economic interests. The “new nationalists” of the 1960s and 1970s were, for example, able to secure legislative restrictions on foreign investment in Canada. Faced with organized opposition, the rigid business institutions of the past were ill-prepared to participate constructively in the emulous Canadian public policy forum. A troubling lack of cohesion and effective leadership within the heterogeneous business community contributed to a precipitous decline in its ability to exert its traditional influence over

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<sup>1</sup> Malvern, 231

public policy formulation and the prevailing vision for Canada. Business as an institutional lobby was at a definitive crossroads.

The “big business” sector observed these nascent changes to the nature of Canadian state with great alarm. Fearing that its intrinsic position of dominance had been usurped by rival interests – interests that projected a vision for the country that violently clashed with its own market-based, capitalistic conceptualization of Canada – an elite element within the fractured business community undertook unprecedented steps to reassert its hegemony over public policy matters. No longer convinced that the historical business institutions comprised of broadly-based memberships – memberships that often held conflicting and impassable positions on particular policy issues – were capable of effectively participating in public discourse, senior members of the big business sector, such as Alf Powis and Bill Twaits, sought to segregate major corporations from their mercurial private sector brethren. In 1976, after extensive preparation and thoughtful reflection, the Business Council on National Issues was founded to more effectively promote the commercial and public policy interests of Canada’s large-scale business enterprises. Its restrictive membership was comprised exclusively of chief executive officers who directed corporations that, in 1983 alone, controlled \$450 billion in assets, amassed \$170 billion in annual revenues and employed nearly two million Canadians.<sup>2</sup> In this sense, the Council represented a distinct schism from the past; it was a limited organization that was unabashedly dedicated to the interests of blue ribbon corporations. As Finlayson notes, “The BCNI never purported to speak on behalf of small business or

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<sup>2</sup> Jan Middleton, “Thomas d’Aquino: The Voice of Business in the Halls of Power,” *Canadian Business Magazine*, V. 56 (3), (March 1983), 17

business as a whole.”<sup>3</sup> This innovative strategic mandate allowed the Council to transcend the pervasive internal incongruence and parochial myopia that had undermined the effectiveness of other business organizations. By hiving off from the broader business community and maintaining a restrictive membership, the BCNI, structurally-speaking, was far more conducive to achieving internal concurrence on public policy matters and to approaching government in a deliberative and constructive manner. Its ability to broker an internal consensus on the inherently divisive issue of continental free trade in the 1980s clearly demonstrated its uncanny institutional facility.

The Council’s organizational structure was also marked by a high level of membership engagement and participation. Its founders recognized that an active membership was vital to the organization’s success. New members were carefully selected to ensure that this foundational pillar remained intransigent. Leaders from every major field of industry and every region of the country were invited to join with one caveat: all members were expected to actively participate in the internal policy development process through the Council’s task force structure. This unparalleled degree of membership input remains an essential element of its enduring success as a public advocacy organization. As one former task force chairman puts it, “the founders got the formula right when they insisted on CEO direct participation – not junior staffers – at all its meetings including those of the task forces.”<sup>4</sup> These in-house task forces were established in accordance with the prevailing public policy issue of the day or in anticipation of emerging policy matters. Such a flexible mechanism for policy development allowed the BCNI to strike preemptive or proactive positions on impending

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<sup>3</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

<sup>4</sup> Interview with Steele Curry, Toronto, 9 November 2006.

issues. According to its first president, William Archbold, it was the Council's original intention to "try to look at emerging public policy areas and to develop approaches and possible solutions to these problems that they can put forward early in the policy making process so that they have some chance of being considered."<sup>5</sup> In doing so, the Council was able to define an issue in its own terms and upstage the government by unveiling a comprehensive package of analysis and recommendations. As Finlayson notes, "much of the BCNI's success can be attributed to its ability to anticipate public policy vacuums with thoughtful, well-researched prescriptions."<sup>6</sup> This lasting commitment to extensive member participation and cutting edge research has provided the foundational underpinnings for the Council's success as a lobby organization.

Along with these important conceptual and structural differences, the Council adopted a fresh advocacy approach, one that was epitomized by Thomas d'Aquino, its highly effective president and chief executive officer. D'Aquino, a well-educated and charismatic former special assistant to Prime Minister Trudeau, truly represented a new style of business diplomacy. His official hiring in March 1981 marked a new beginning for the BCNI. With d'Aquino at the helm, the Council stirred awake after nearly four years of self-induced repose and waded deeply into public affairs with sharper focus and indelible moxie.

After skillfully crafting an internal consensus on a particular policy matter, d'Aquino exhibited tremendous proficiency in painstakingly advancing the Council's position with the government and in the Canadian public. He displayed, in the words of

<sup>5</sup> This quotation was later reprinted in Langille, 55.

<sup>6</sup> Interview with Jock Finlayson, Vancouver (via telephone), 21 November 2006.

one prominent BCNI member, “an art – a sense of knowing what [was] doable.”<sup>7</sup> By consciously choosing to abandon the adversarial and reactionary approach that had come to characterize business lobbying in the later post-war era, d’Aquino endowed the Council with an unmatched degree of legitimacy and an indivisible voice in the Canadian public policy forum. He emerged as a true business diplomat, who built strategic bridges with the Council’s correlative partners and spoke authoritatively on a plethora of public policy issues, including democratic reform, national defence and social programs. He confidently strutted on the national stage, moreover, with a certain flair and panache that distinguished him from the other lobbyists who frequently converged on Parliament Hill. D’Aquino’s unique combination of intelligence, energy and countless personal contacts granted him special access to the corridors of power in Ottawa. His perceived influence over the Mulroney government, in fact, led one member of the Canadian labour movement to conclude in 1991 that “the real prime minister of this country is Tom d’Aquino.”<sup>8</sup> Doubtless an exaggeration, the description nonetheless gives some indication of the status he had achieved in Ottawa circles. Indeed, his personal contribution to the BCNI’s success throughout 1980s and to the present is immense. The Council has evolved, as one *Globe and Mail* business columnist succinctly puts it, into “Tom’s Club.”<sup>9</sup> He will be, according to most observers, nearly impossible to plenteously replace. Thus, as one former member notes, “the Council will likely do its best to ensure that he leaves feet first.”<sup>10</sup> In deliberately forsaking the archaic *modus operandi* of the

<sup>7</sup> Interview with David Culver, Montreal, 13 December 2006.

<sup>8</sup> Shawn McCarthy, “Top Business Lobbyist Enjoys Clout in Ottawa,” *Toronto Star*, (Toronto: 30 June 1991), F1

<sup>9</sup> Gordon Pitts, “Tom’s Club: Only Chief Executives Need Apply,” *Globe and Mail*, (Toronto: 4 July 2005), B10

<sup>10</sup> Interview with Steele Curry, Toronto, 9 November 2006.

past, the Council, under the dexterous leadership of d'Aquino, charted a new path for business-government relations – one that revolutionized the way in which the two traditional partners interfaced and ultimately reshaped the political landscape in Canada.

The compelling free trade story powerfully demonstrated the BCNI's vanguard approach. After Laurier's unmitigated defeat in 1911 at the hands of his Conservative opposition and their industrial backers, continental free trade conspicuously fell off the public agenda for over seventy years. It was a quiescent issue, which no politically-conscious government was prepared to rekindle. The Canadian business class, itself, had historically exhibited a persistent aversion to continental trade reciprocity. Indeed, it would take tremendous prodding and remarkable adroitness to propel the contentious issue back to the top of the public policy agenda. As early as 1981, the Council – increasingly dismayed by the American government's penchant for protectionist trade remedies and a domestic economic malaise – undertook a comprehensive review of Canadian trade policy. After establishing that bilateral trade liberalization was in its members' commercial interests, the BCNI diligently embarked on an exhaustive public advocacy campaign to persuade its members, the government, the general public and other applicatory stakeholders that free trade was desirable policy option for Canada. It was an arduous task, one which clearly exemplified the Council's inherent strengths as an institutional business lobby.

Before the BCNI launched its carefully-designed lobbying campaign, d'Aquino fastidiously shaped a robust internal consensus in favour of free trade. The membership was supplied with leading primary research that illuminated its long-term benefits; consultative sessions were organized in Ottawa and Toronto to confer any recalcitrant

members an opportunity to directly contribute to the BCNI's eventual position; and the heads of the CMA and the Chamber of Commerce were assiduously engaged in an attempt to foster broader congruence across the business spectrum. This systematic approach to consensus building reflected a foundational tenet of the Council. From its beginnings, the founders had "sought to put together an organization that spoke with one voice."<sup>11</sup> The Council's unfailing ability to balance regional and sectoral demands that emit from inside its closed membership and to fashion a firm consensus is a hallmark of its enduring success. As has been illustrated, the Council's concordant membership was, by the conclusion of its internal policy development process, broadly supportive of bilateral free trade.

If d'Aquino found the BCNI membership instinctively disposed to free trade, he would soon discover that the federal government's inimical position was far more implacable. For nearly six years, he advanced the Council's case for trade liberalization with the Canadian government: first, with the Liberals; and then, after the transformational 1984 election, with the Conservatives. Throughout the Council's dogged lobbying campaign, which took the form of formal meetings and fortuitous encounters, d'Aquino exhibited a congenial tenacity and a propensity for effective diplomacy. Aided by the momentous work of the Macdonald Royal Commission and the onset of a powerful intellectual current, personified by conservative world leaders like Ronald Reagan and Margaret Thatcher, his salient message of "open markets and free trade" steadily attracted a wider audience in Canada.<sup>12</sup> Still, the Council's early support for free trade was met with marked resistance within government ranks and general

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<sup>11</sup> Interview with Alfred Powis, Toronto, 5 December 2006.

<sup>12</sup> Interview with Thomas d'Aquino, Ottawa, 19 January 2007.

antipathy from the broader business community. In the face of this deep-seated opposition, d'Aquino remained pertinacious. Committed to the Council's strategy of consensus building and constructive dialogue, he spiritedly championed the case for free trade, while patiently awaiting the timely arrival of the sweeping winds of change. He worked diligently, as one Council member notes, to achieve "public and political buy-in."<sup>13</sup> By September 1985, nearly four years since the Council had first broached the issue; its strategic lobbying campaign began to bear fruit. Eventually, Prime Minister Mulroney, who had previously voiced his unequivocal opposition to bilateral trade liberalization, succumb to d'Aquino's sophisticated proselytizing. Indeed, the prime minister's decision to enter into negotiations with the United States represented the dramatic culmination of the first phase of the BCNI's public advocacy campaign. But, as has been shown, its active involvement in the free trade story was far from over; it would remain a conspicuous participant in the ensuing debate and not forbear until the agreement was eventually codified.

Throughout the tumultuous negotiations and subsequent 1988 election campaign, the Council's presence on the national stage and behind the binational curtain was ubiquitous. When American obstructionism threatened to undermine the negotiation process, the BCNI worked closely with the Business Roundtable and senior government officials in Washington to ensure that its policy objectives were achieved; when well-organized anti-free trade forces unleashed vociferous attacks against the eventual agreement, the Council went about building strategic partnerships with like-minded stakeholders in the Canadian business community to mount a spirited counter-offensive; when John Turner alleged that free trade would undoubtedly reduce Canada to a colony

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<sup>13</sup> Interview with David Culver, Montreal, 13 December 2006.

of the United States, d'Aquino responded publicly in an incisive and reasoned fashion; and when the Mulroney government's mishandling of the free trade file brought the election's outcome into question, the BCNI orchestrated an effective defence of the agreement that had a profound effect on the voting public. In all these cases, the BCNI – structurally inoculated from the inherent problems of factionalism and incoherence that had plagued the Canadian business class in the past – was free to engage in the prevailing public discourse in a constructive and systematic fashion. Its ability to navigate the turbulent waters of continental free trade – a hazardous journey that had left others strewn along the shore – signalled the Council's conclusive emergence as the premier business organization and most effective interest group in Canada.

The deterioration of the business-government relationship in Canada in the second half of the twentieth century and the BCNI's central role in the 1980s free trade story effectively underscore two telling aspects of the paradoxical nature of business lobbying: the pervasive ills of disunity and the practical benefits of cohesion. In an increasingly crowded public forum, the business class could still wield tremendous power and influence, but only if it exercised diplomacy and contested the policy agendas of competing interests in a clear and constructive manner. These two divergent historical experiences also highlighted the profound evolution business, as a formal and informal interest group, had undergone in Canada since the seventeenth century. As the domestic economy and Canadian state matured, the organizational structure and institutional capacity of business underwent a simultaneous transformation. The BCNI arrived on the scene just as the influence of Canadian business was waning. In consciously rejecting the outdated "catch-all" model of operation that had characterized business collectivism since

Confederation, the Council was considerably better prepared to address the complex public policy challenges facing Canada with a new and unpredictable century on the horizon.<sup>14</sup> Its strategic mandate, select membership and avant-garde lobbying approach allowed it to restore big business to its historical position as an integral partner in Canadian national life. Under the deft leadership of Thomas d'Aquino, the Council was well-positioned to remain a formidable player in the Canadian public policy forum for years to come.

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<sup>14</sup> Interview with Bruce Doern, Ottawa, 23 October 2006.

## Appendix A

# Council on issues led by senior executives

The founding members of the Business Council on National Issues are:

Thomas Bell of Abitibi Paper Company Ltd., Paul Leman of Alcan Aluminum Ltd., Guy French of American Can of Canada Ltd., E. C. Lipalt of A. E. Ames and Co. Ltd., Fraser Allen of Amoco Canada Petroleum Co. Ltd., M. E. Taschereau of Asbestos Corp. Ltd., Fred McNeil of the Bank of Montreal, Cedric Ritchie of the Bank of Nova Scotia, Germain Perrault of the Bank Canadian National, Derek Mitchell of BP Canada Ltd., Arthur Child of Burns Foods Ltd., C. D. Reekie of CAE Industries Ltd., Edward Crawford of Canada Life Assurance Co., W. F. McLean of Canada Packers Ltd., Ronald Booth of the Canadian Chamber of Commerce, Val Stock of Canadian Corporate Management Co. Ltd.

Walter Ward of Canadian General Electric Co. Ltd., Russell Harrison of the Canadian Imperial Bank of Commerce, Wilfred Mandry of Canadian Industries Ltd., Cecil Flenniken of Canadian International Paper Co., Rodrigue Bilodeau of the Canadian Manufacturers Association, Ian Sinclair of Canadian Pacific, Dean Muncaster of Canadian Tire Corp. Ltd., Christopher Barron of Cossette, Blakie and Co. Ltd., Raymond Collington of Cockfield, Brown and Co. Ltd., John Rhind of Confederation Life Insurance Co. Ltd., Neil Darrach of Continental Can Co. of Canada, Gerald Helferman of Co-Steel International Ltd., Robert Dowsett of Crown Life Insurance Co., Frank Sherman of Dominion Foundries and Steel Ltd.

Anthony Fell of Dominion Securities Corp., Harris and Partners Ltd., Franklin McCarthy of du Pont of Canada Ltd., Alex Hamilton of Domtar Ltd., Lloyd Lillico of ErcO Industries Ltd., Kenneth Freberg of Ethyl Corp. of Canada Ltd., Marsh Cooper of Falconbridge Nickel Mines Ltd., Roy Bennett of Ford Motor Co. of Canada Ltd., Robert Hurlbut of General Foods Ltd., Angus MacNaughton of Genstar Ltd., Robert Hicks of Goodyear Canada Inc., Peter Mason of B. F. Goodrich Canada Ltd., Clarence Shepard of Gulf Oil Canada Ltd., George Doreesco of Hayes-Dana Ltd., Frank Convery of F. H. Hayhurst Co. Ltd., Rodrigue Bilodeau of Honeywell Ltd., Ronald Fraser of Hudson Bay Mining and Smelting Co. Ltd..

Lorne Lodge of IBM Canada Ltd., Paul Pare of Imasco Ltd., John Armstrong of Imperial Oil Ltd., Edward Grubb of Inco Ltd., Jack Turvey of Interprovincial Steel and Pipe Corp. Ltd., Donald Campbell of Maclean-Hunter Ltd., Sydney Jackson of Manufacturers Life Insurance Co., Paul O'Donoghue of Marsh and McLennan Ltd., Albert Thornbrough of Massey-Ferguson Ltd., Robert Davidge of the Mercantile Bank of Canada, Arne Nelson of Mobil Oil Canada Ltd., James Black of Nelson Cos. Ltd., Robert Beamish of Monsanto Canada

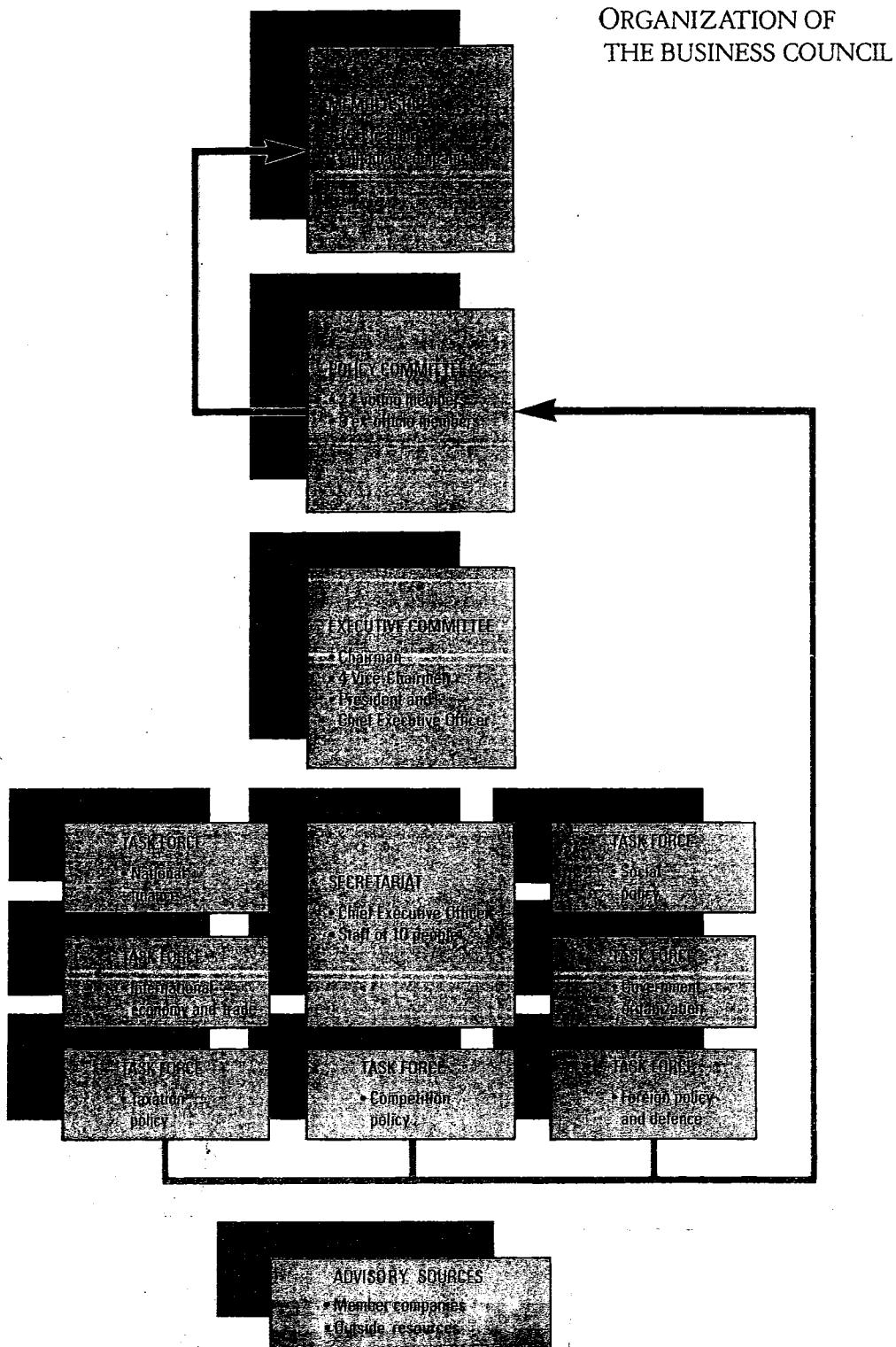
Ltd., George Sinclair of McLaren Advertising Ltd., Wallace McCain of McCain Foods Ltd., George MacDonald of McLeod, Young, Weir and Co. Ltd.,

Alfred Powis of Noranda Mines Ltd., Edmund Boycey of Norcen Energy Resources Ltd., Robert Scribeur of Northern Telecom Ltd., L. M. Rasmussen of Pacific Petroleum Ltd., Pierre Nadeau of Petrofina Canada Ltd., Ross Quirk of Placer Development Ltd., Ian Rush of Polysar Ltd., Paul Desmarais of Power Corp. of Canada Ltd., Andre Pichot of Reynolds Aluminum Co. of Canada Ltd., Robert Hawkes of Rollmans of Pall Mall Canada Ltd., Earle McLaughlin of Royal Bank of Canada, Alan Horsford of Royal Insurance Co. of Canada, Kenneth White of Royal Trust Co., Malcolm Mallory of Rubermaid (Canada) Ltd.

William Daniel of Shell Canada Ltd., David Thomas of Sherrill Gordon Mines Ltd., Jack Barrow of Simpsons-Sears Ltd., Bruce Hamillen of Slater Steel Industries Ltd., Gordon Fisher of Southam Press Ltd., Donald McCaskill of Standard Brands Ltd., John Gordon of Steel Co. of Canada Ltd., Thomas Galt of Sun Life Assurance Co. of Canada, Richard Thompson of the Toronto-Dominion Bank, R. W. Sparks of Texaco Canada Ltd., Henry Dynes of Traders Group Ltd., James Kerr of TransCanada PipeLines Ltd., Jack Dewar of Union Carbide Canada Ltd., Claude Allard of Uniroyal Ltd., Clifford Hatch of Hirsh-Walker and Sons Ltd., Stephen Wilgar of Warner-Lambert Canada Ltd., Edward Medland of Wood Gundy Ltd.

Source: Author Unknown, "Council on Issues led by Senior Executives," *Globe and Mail*, (Toronto: 5 April 1977), B9.

## Appendix B



Source: Business Council on National Issues, 1976-1986, Ottawa: BCNI, 1986), 5.

**Appendix C**

# Straight Talk On Free Trade.



Source: *Globe and Mail*, (3 November 1988), A9-A12.

# The Canada-U.S.

**What it is.** The Free Trade Agreement is a commercial arrangement that begins and ends with trade. It is about tariffs and other barriers at the border. It is about increasing trade and job opportunities. Most important of all, it is about fair rules in the trade game with our largest trading partner.

It does not affect our sovereignty. It does not harm our social programs. It does not menace our health care programs. It does not undermine our culture. It does not threaten our environment, our fresh water, our energy resources or our farmers. Any claims to the contrary are false. They are not based on the facts of the agreement. They are based on fear.

Most of all, it is not a sell-out. It is an opportunity. Canada is not and will not become a colony of the United States. Canada is and will remain a free, vibrant and independent nation.

**So who needs it, anyway?** We do. Canada is a nation that was built on trade. More than 3 million jobs depend on trade. Two out of every three of those jobs rely on trade with the United States. We need more open and secure access to a large market. We are the only industrialized country that does not have such access. The United States market is the richest and most dynamic market in the world. And it is Canada's most important market. Without the FTA, that market is neither free nor secure and our future will be uncertain.

**But three-quarters of our trade is already free of tariffs.** Yes and No. While many of our products enter duty free, many more are not sold at all because of high tariffs. Thousands of products continue to attract tariffs. And it is hard to compete when you have to pay high tariffs — such as the 18% tariff on petrochemicals, or the 33% tariff on woven fabrics. It is mostly raw materials that are free while finished goods continue to draw tariffs. Getting rid of these tariffs means more opportunities to sell manufactured goods and more such opportunities mean more and better jobs.

**Did we get rid of tariffs?** Yes we did, but sensibly. They will be phased out over ten years allowing producers the time to adjust and take advantage of new opportunities.

**Is there more?** Certainly. Barriers to trade are more than a matter of tariffs. They also involve discriminatory product standards, quotas, local content requirements and much, much more.

**Did we eliminate these?** Most of them. For others, we will continue to negotiate. Where we could not get rid of barriers, we put in place sensible rules that place Canadian and American producers on an equal footing.

**Who will enforce these rules?** We will. Canadians will enforce them in Canada and Americans will enforce them in the United States.

**What if there is disagreement?** The agreement puts in place procedures that will allow Canadians and Americans to work out any differences quickly and amicably or allow a neutral panel to make a final ruling.

**But the United States is ten times more powerful than Canada. Won't they always get their way?** That's why we need mutually agreed and mutually enforced rules. That's why we need a neutral referee to act as a shield against arbitrary and capricious actions. The rules will affect us and they will affect the Americans. Equally.

**But doesn't the agreement deal with more than just trade in goods?** Yes it does. It also puts in place sensible rules to cover trade in services, investment and business travel. Northern Telecom can now use its Canadian personnel to service equipment it sells in the United States. Canadian investors in the United States will be dealt with fairly and equitably. Canadian engineers and architects will now be able to sell their services in the United States.

**But no other trade agreement has ever done this.**

That is right. Canada and the United States have made a headstart on what the rest of the world is trying to do at the Uruguay Round of GATT talks. But they have done so cautiously. They have agreed not to discriminate in the future. All existing laws and regulations remain in place.

**But didn't we also give up the right to control foreign investment?** No. We agreed that after a period of transition, we will not screen direct foreign investment takeovers under \$150 million. That means that three-quarters of Canada's corporate assets remain subject to screening. And all our other laws remain in place.

**Does the FTA not prevent us from ensuring Canadian control of the economy?** Not at all. Canada remains free to establish its own standards of conduct. There is nothing in the FTA to prevent the Government from requiring, for example, that all companies incorporated in Canada have a minimum number of Canadian directors on their board, maintain their head office in Canada or that their chief operating officer be a Canadian citizen. In three sensitive sectors—energy, air and rail transportation, and culture—it can continue to require Canadian majority control. Existing energy and transportation policies are protected and culture is exempted.

**Will the FTA lead to the buy-out of Canada by Americans?** No, exactly the opposite. One of the indirect benefits of the agreement is that it gives Canadians the confidence they need to invest in their own economy. A quarter of Canadians now own stock in Canadian companies and Canadians have a greater stake in their economy than they have ever had before. Such confidence comes with a strong economy, not with government regulation.

**But be realistic. Doesn't the agreement amount to a sell-out of Canada? Won't all important decisions be made in Washington from now on?** Only the timid and the fearful have this view of Canada and of their governments. There will continue to be a democratically elected Parliament in Canada and democratically elected legislatures in the ten provinces and in the territories. They remain free to enact any policy they desire, even policies at odds with the FTA.

**But won't the Americans retaliate?** That risk is not new. A country that depends on trade for 30 percent of its wealth always has to be conscious of its trading interests. The FTA, however, greatly enhances our ability to protect Canadian interests. Rather than going to Washington hat in hand and pleading a special relationship, we can rely on a set of jointly agreed rules, joint management of those rules and a strong dispute settlement mechanism to resolve any differences. That is sovereignty. That is in Canada's interest.

**Yes, but all the obligations are on us.** No. The agreement is mutual. The agreement applies equally to Canada and to the United States.

**But won't the agreement gradually force us to align our policies along the lines of the larger and stronger partner? Won't Canadian business lobby to reduce spending on social and other programs?** Not at all. Why should this particular agreement have such an effect? We have more than 200 agreements and arrangements with the United States. None have had that effect. This is not the beginning of a process, but an important step in an economic relationship older than Confederation. We have always traded with the Americans; we have always welcomed their responsible investors; we have always travelled back and forth—and we will continue to do this. This close and mutually beneficial relationship has not prevented Canada from opting for a different approach to social welfare, to

# Free Trade Agreement

broadcasting, to transportation, to support for farmers and the FTA will not either. On the contrary, it will help to generate the wealth that will allow us to continue to develop a rich, rewarding and diversified society. We are used to living next-door to a superpower and making the best of it—that's why the rest of the world envies what we have been able to achieve in the FTA, placing us at the cutting edge of the management of international trade relations.

**Why can't we just keep things the way they are?** Unfortunately it's not just up to us. There are a lot of Americans who are unhappy with unfair competition from the Japanese, from the Brazilians, and from others. They are lashing out at foreign trade. Canadians are getting hurt in the process. Some congressmen want to take protectionist actions against Canada.

**Give me one concrete example.** The auto pact, which has been the primary engine of growth in Ontario, is preserved under the free trade agreement. This despite the fact that it has become a major target of legislators and the United Auto Workers in the U.S. The efficiency of our workers and plants is attracting more and more investment by the auto makers here (way above what the pact says they have to). According to a recent *Globe & Mail* editorial, Ontario will soon be assembling 30% of all cars built and sold in North America. Naturally there are those in the U.S. who would like to renegotiate the auto pact and bring home a lot of those jobs.

**Is the auto pact more secure with the free trade agreement?** Yes. The agreement solves some outstanding irritants in the automotive sector. And the future of the auto pact is tied to the FTA. Would renegotiation of the auto pact stand up to this pressure by itself without the agreement? Fat chance. As the *Globe & Mail* states: "supporters of the auto pact should also support the free trade agreement".

**There's a whole world of other trading partners out there.** Yes. But they are also banding together to form big trading blocks. The Europeans have been at it for some time. They've been knocking down the tariffs and other barriers between themselves, making it harder for outsiders to sell there. The Pacific Rim countries are becoming increasingly competitive. The interest in trading and investing in a single, rather small country with a variety of trade barriers is ever-diminishing. But a market of over 260 million (that's us with the U.S.) is one very attractive investment and trading partner for anyone in the world.

Clear trading rules and access to our largest trading partner will encourage employers to invest in Canada with confidence and create new jobs. As a full partner in one of the richest, largest markets in the world, Canada's role is ensured as a major participant in the next century of global trade.

**So the status quo isn't an option. There must be another alternative out there.** Well there's the much touted "sectoral approach" which tackles each industry area on a one by one basis. It sounds good in principle. An agreement here for forestry, one there for fisheries and another for steel and so on. The problem arises when you attempt to put it into practice. It didn't work when we tried it the last time (1983-84). And we are now facing an even more protectionist America.

If we were to tell the United States we wish to scrap this agreement (after months of negotiations and approvals from both their Senate and House of Representatives) in order to start talking about a long series of smaller agreements on a sectoral basis, our chance of coming out with a whole batch of separate signatures is just about zero.

**What about international trade agreements?** Canada is there. We are negotiating through GATT (General Agreement on Tariffs and Trade). We are pursuing the same agenda there with the rest of the world. We have not given up a single GATT right. Rather, we have

added to them and made them more secure with our most important trading partner. We may eventually get there with the rest of the world. Meanwhile we'll benefit from what has already been achieved with the Americans.

Importantly the free trade agreement complements and is totally consistent with GATT and has been held up as a model for the world.

**Will we become a nation of warehouses with all the real manufacturing done across the border?** No. We've proven that our workforce can be more cost effective than that of our friends in the U.S. In fact we're already competing successfully with no tariffs in many industries. History has confirmed that as we lower our tariffs the factories do not close. Tariffs are not the only reason people do good business here.

**But don't our social benefits add up to higher labour costs than in the U.S.?** It is a myth to say that the costs of our total compensation packages are uncompetitive with the U.S. because of our social benefits. The costs of the equivalent private medical and related plans now in place for most of the major U.S. employers are often higher than ours. With access to the United States markets we become an even more attractive location for manufacturers from throughout the world.

**Frankly I'm nervous about the change.** That's understandable. It may make you feel better if you know that this change has been coming along for quite some time and Canadians have succeeded at every turn. We've been slowly liberalizing our trade barriers for over 40 years and we've never had a stronger economy. Our workers have proven to be efficient and productive. We have the skill it takes to excel in an incredible range of fields. Better access to the U.S. market means more opportunity to sell throughout the world and that means more jobs. The world likes the way we do business and likes to do business here.

**O.K. So what's in it for me?** More jobs. Better jobs. More wealth to improve government services such as day-care. And direct personal benefits. You'll find that the average food bill for a family of four will go down about \$100 a year—about one week's grocery bill. That's just for starters. There will also be a much larger selection of goods at lower prices on our shelves (just like across the border). For example the 20%–25% tariffs we place on U.S. shoes, baby clothes, dresses, sheets and pillowcases will be gradually eliminated.

In addition, Canadians looking to buy and furnish a new house can expect a saving of up to \$8,000 as a result of tariff removal. And almost 3/4 of the new jobs created under free trade will be in the service sector of our economy where most young men and women are now employed.

While the border will not be erased, eliminating these tariff barriers will increase competition. In a nutshell, the agreement will bring benefits right across this country by opening new doors to our products and services, reducing costs for consumers, attracting new capital investment, stimulating technological innovation, creating jobs and helping to end regional disparity.

**I've heard we're selling out our sovereignty, along with our environment, health care, water supply, energy and culture in order to get the deal.** Have you ever noticed that the people who tell you we're about to lose all this never point out specific clauses in the agreement to support their claims? The reason is simple. They're wrong. There are no such clauses.

The environment is a good example. In Canada the primary responsibility for environmental protection is with the provincial governments. But the agreement does not touch their jurisdiction at all (Chapter Six, Article 601). In addition, under the agreement the federal government maintains its full sovereign powers to take any measures "whose purpose is to protect health, safety, essential security, the environment or consumer interests" (Chapter Six, Articles 603 and 609). So there's nothing at risk.

Canada will continue to set and adopt environmental protection standards in keeping with our own national goals. It is absolutely false that Canada will have to adopt American environmental standards.

**Don't we have to sell them our energy resources and at the same price as we pay here in Canada?** Not so. The U.S. has gained no rights to Canada's resources. Every province minds its own store and can sell or not as it wishes. The market will continue to set the price, even above what we pay ourselves. Once we have started to sell we have agreed not to cut the U.S. off cold in case of a shortage. They will be allowed to buy the same percentage they purchased over the previous three years if they are willing to pay the going market price. In return the U.S. has agreed for the first time not to restrict our exports. That's good news for the hundreds of thousands of Canadian jobs in hydro and petroleum development that depend on these exports.

**How about our fresh water?** Water exports are not part of the agreement. This matches up with Canada's Federal Water Policy in unmistakable terms. The agreement does not in any way affect our ability to protect and control our lakes and rivers. The people who say that water was put on the free trade table mistook "bottled" water for bulk water exports and they are wrong. Top officials on both sides of the border have made this crystal clear.

**What about our social programs like Pensions and Medicare?** The Free Trade Agreement is about trade. Period. Not social programs, not culture, not the environment. These are not traded commodities.

Services such as health and welfare, day care, education and public administration are not in the agreement and are not threatened in any way by it. In fact, nothing in the agreement prevents Canada from maintaining or expanding programs in any of these vital areas.

**Some critics may charge that under the Free Trade Agreement, Americans could target our social programs as an "unfair subsidy".** According to International trade law and practice under the GATT (General Agreement on Tariffs and Trade), programs which are universally available cannot be considered an unfair subsidy. Programs such as Medicare, Unemployment Insurance, the Canada Pension Plan and Family Allowance are available to all Canadians. They cannot be deemed as subsidies, and therefore they simply are not at risk.

**Surely the American Entertainment Industry Giant will stamp out Canadian culture.** Since part of what defines Canada's cultural fabric is that which is demonstrably "not American" it will not only survive, but continue to thrive. Culture is exempt from the agreement. Royal Commissioner Donald Macdonald put it eloquently: "Trade interdependence, political autonomy and cultural distinctiveness are not incompatible. The Canadian nation is not a weak and fragile plant doomed to disappearance merely because we trade more freely with our American neighbour." Despite steadily increasing our trade with the U.S. over more than forty years, Canadians have not become less but in fact more Canadian.

Eliminating our tariffs on records and tapes is quite different from the performing and producing from which the records and tapes are made. American and Canadian artists will continue to record both here, there and everywhere as they have always done. And Canadian institutions like the CBC will play on. Furthermore, CTV, Global, and Macleans are just as protected as they were before the agreement.

**Will our agriculture industry bite the dust?** No. While exports to world markets will continue to be important the U.S. is Canada's largest and fastest growing agricultural market. We export almost \$3 billion of farm products to the U.S. every year. Along the way we've had a long record of skirmishes over the border that have hurt our producers of pork, fish and potatoes. With the better trading rules of the agreement any future disputes can be resolved more quickly and fairly.

The removal of U.S. agriculture tariffs (they average about 10%) will make our products more attractive and boost their sales south of the border. Oh yes, we're not giving up our right to set and maintain our own high agricultural and health standards. And we've retained our dairy and poultry (chicken, turkey and eggs) marketing boards. In fact, we maintain the right to implement new import quotas in the future if needed to support other commodities along these lines if necessary.

**Alright, but won't Canada have to stop regional subsidies?** Absolutely not. The question of regional subsidies is covered by the GATT and not the trade agreement. We can continue subsidies as we wish. So can the Americans. In trade disputes it still remains for the U.S. or other countries to make a specific complaint with regard to the impact of a subsidy, as well as to prove that their case is valid and that we have violated the GATT.

Programs such as the Atlantic Canada Opportunities Agency and the Western Canada Diversification Fund do and will continue to stand the test. Regional development programs are not touched by the Free Trade Agreement.

**You haven't sold a word about how this will stop American protectionism. Don't their trade laws still apply to everything we do?** Under the agreement both Canada and the U.S. maintain their current trade laws, in accordance with the GATT. However, we know that U.S. protectionism won't go away with a wish and a prayer. That's why we need this agreement.

When you're playing the game with someone 10 times your size it's good to have some rules you both agree on. A referee for when you don't is also a must. That's what we've arranged. The binding dispute settlement process, in which Canada has equal voice to the U.S., prevents politically motivated application of trade laws (exactly what happened in the softwood lumber case).

We also have secured strict limits on American use of import quotas that hurt industries like steel. Finally, we now have the right to challenge proposed new trade laws before the U.S. can spring them on us and then have a bi-national panel to decide whether they are fair ball or not consistent with this agreement or the GATT.

No agreement is born perfect. However both sides are committed to making it work, as we did with the auto pact. If serious differences develop we always have the option of ending the agreement with six months' notice.

Never before has the United States of America agreed to limitations on its freedom of action in these areas. No other nation has this degree of security of access to the huge U.S. market, nor is likely to get it.

**So, who supports the FTA?** Royal Commissioner Donald Macdonald, eight Provincial Premiers, Canadian consumers, the vast majority of Canadian business, small and large, an overwhelming number of independent economists and economic research organizations, and Government and business leaders throughout the industrialized world.

**Historic opportunity you say?** Yes. It gives Canada the scope of market it needs to ensure growth and prosperity. It provides an opportunity we can be proud to have now and to pass on to our children and grandchildren. Canadians are optimistic about our future. Canadians know that the future is something that cannot be torn up.

The Canada-U.S. Free Trade Agreement is all about assuring Canada a market which will allow us to continue to trade and prosper. On-going prosperity enables us to maintain and extend those unique and special programs which are the hallmark of our country. This opportunity will take us into the next century. That century can be Canada's.

For more straight talk about Free Trade just write to The Canadian Alliance for Trade and Job Opportunities, P.O. Box 6077, Montreal, Quebec H3C 3A7.



## THE CANADIAN ALLIANCE FOR TRADE AND JOB OPPORTUNITIES

This information has been produced and circulated by The Canadian Alliance for Trade and Job Opportunities. The Alliance consists of 200+ associations, chambers of commerce, Canadian exporters, importers, manufacturers, and service providers. The Canadian Alliance is a broad-based group that includes consumers and concerned individuals from all walks of life who believe in the strength of free trade.

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These interviews were conducted with the expressed approval of the Carleton University Research Ethics Committee. (See Attachment A for Certificate of Ethic Approval.)

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