

To help resolve this dilemma, I believe that the guide to all policy measures in this field should, as far as possible, be positive and not restrictive. A restrictive policy will tend to discourage the desirable as well as the undesirable foreign direct investment. Such a policy would inevitably unleash divisive forces in Canada which would themselves weaken our national unity and independence.

We should not neglect the maximum use of moral suasion in all its forms. Foreign enterprise has a very large stake in Canada. It should be given every opportunity to learn why Canadians are troubled, and what Canadians expect of them if they are to be accepted as "good" corporate citizens. This is a slow and difficult process; but past efforts have produced some useful results and it should be stepped up. Discussion in the past decade has produced a code of good behaviour which, if adopted widely, would ease the public tension and moderate the exercise of foreign control. The areas of corporate decision-making in which there is need for improvement on the part of many corporations were outlined earlier in this paper. Not least of these is the making available of equity participation to Canadian investors and the appointment of independent Canadians to boards of directors.

But efforts of this kind will not be enough in themselves. Other measures and new institutions will also be required. I do not claim to have any special prescience in this field; but I have two thoughts in particular which I believe merit consideration.

The first concerns our commercial policy. Studies on the subject of foreign ownership and control of Canadian industry almost invariably refer to the influence which Canadian commercial policy, and the commercial policies of our trading partners, have had on the structure of our secondary industries and on the pattern of ownership and control which has emerged. The analysis is usually in terms of the incentive set up by Canadian tariffs to foreign enterprise to establish branch or subsidiary operations in Canada as a means of leaping over the tariff. Further, the existence of tariffs abroad inhibits the development of such enterprise in a direction which would permit exporting either to the country of the parent corporation or elsewhere. There is little question that commercial policy has, in fact, had effects of this kind. I would like to carry this analysis a step further.

Many foreign-owned firms are set up to produce in Canada a range of products identical to those produced by the parent company - but on a smaller scale - and almost always at higher cost. Such enterprises typically rely on the parent company for their design, research and development, business services, marketing techniques, sources for components, and machinery. Even in operations of this kind which are often no more than a small-scale model of the parent, it becomes difficult to see how such an enterprise in Canada can have any real independence in any of the principal corporate decisions. Indeed, one can almost establish a principle here. Miniaturization to serve the local market under the influences of tariff protection will generally be accompanied by a system of corporate organization which involves effective control by the parent company.