"The multi-national corporation can cause problems which have serious implications for the sovereignty and effective development of the national states."

led from abroad . . . concern about both legal sovereignty and also about what might be called politico-economic sovereignty."

Legal sovereignty means that only Canadian law should apply within the Canadian political state. Politico-economic sovereignty he described as "the abilities of our governments, particularly our national government, to implement effectively desired national policies in light of political and economic forces."

These forces are considerable, he said, citing some examples of non-resident domination: "In 1967, 60% of the assets in the mining industry belonged to corporations which were at least 50% non-resident owned. In mineral mining, 42%; in mineral fuels, which includes gas and oil, almost 82%. In manufacturing, non-resident dominated firms own more than 60%, with higher proportions in some sectors—90% in the aircraft and aircraft parts industry, and 80% of the chemical industry.

"Resident-controlled firms tend to predominate in finance, transportation, communications and utilities, construction, and retail trade.

"All this reflects in part the fact that in the past, Canadian governments have not looked upon foreign ownership and control as a general problem, requiring a comprehensive policy response, but instead as something which required particular solutions for particular sectors of the economy." He cited some of these past actions limiting foreign ownership or promoting Canadian domination in banking, loan, trust, and insurance companies; sales finance companies; uranium mines; Canadian National Railways and Air Canada; the Telesat communications satellite; development of the oil industry in the north; and others.

ONE OF THE PRINCIPAL AREAS "that any government would be looking at in developing policy in this area," Mr. Gray said, "is the growing power of the so-called multi-national corporation." In practice, that generally means a company that is entirely or largely owned and staffed by the citizens of one country, with its head office in that country and affiliated firms in foreign lands, effectively controlled by the head office.

"The multi-national corporation contains within itself the potential—but I suggest not necessarily the certainty—of transmitting to peoples the world over many of the benefits of modern forms of business organization, with all that this implies . . . ."

"However, the multi-national corporation can cause problems which have serious implications for the sovereignty and effective development of the national states. For instance, these companies tend to have a great deal of leverage in dealing with national governments, particularly those of relatively small countries. This enables them to play off one government against the other in negotiating the most attractive terms for new investments. This is something which can also happen within a country organized on a federal basis with several levels of government.

"Similarly, the international scope of their operations gives them opportunities to escape the complete jurisdiction of national law—in our case Canadian law—relatively more easily than those that operate more or less entirely within Canada. Further, the multi-national corporation normally has the financial resources needed to buy out or prevent . . . new sources of competition."

In the long haul, Mr. Gray said, it may be possible for governments to deal with some of these difficulties by negotiation on tax and anti-trust policies, or by international codes or sanctions. But if there is an immediate need for action, he said, "it must come at the level of national governments themselves."

He explained, by a few examples, how erosion of a host country's sovereignty is built into the system as it now operates. "I think the evidence is increasingly clear that Canadian subsidiaries of firms based in another country can and have been used as instruments of what amounts to an extra territorial application of that parent country's laws and policies."

One example is the United States' Trading with the Enemy Act, which "appears to have affected attitudes of Canadian subsidiaries . . . on the development of export trade with certain countries."

Another example he cited is how the United States' balance of payments problems affected Canada: "When the United States authorities first began to deal with this situation, they issued guidelines to U.S. firms about the direction and size of their capital movements, and those guide-