

*Income Tax Act*

means and where it will be. As a country which is vitally interested in this concept, I submit that Canada and Canadians should seek to play a part in the American policy formative process.

We all know that representations have been made by our government to that of the United States. But there are other initiatives which should be followed. Two weeks ago, for example, some distinguished American Congressmen, members of the Mills committee on ways and means, visited Canada with the NATO delegation. They expressed interest in exchanging views on these issues with our House of Commons Standing Committee on Finance, Trade and Economic Affairs. This American initiative should be welcomed and followed up by our committee as rapidly as possible.

I submit there is a special role for United States subsidiaries which carry on business in Canada. To develop this point I should like to say a word about the implications of American ownership of so much of our economy. Many Canadians see our present problems and the American influence over us as deriving from American ownership. I have given considerable thought to the issue of economic sovereignty, as have all hon. members. I agree it is an issue which deserves high priority. However, I see it mainly as a political issue, one of identity or of psychology but not economic.

The fact of foreign ownership as such plays no part in our economic problems, in our problems of unemployment, economic growth, inflation, regional disparity, poverty, monetary stability or any other of our economic problems. Such corporations are generally just as good and valuable citizens as are Canadian firms. I have yet to hear an argument which says that foreign ownership harms our economy, putting aside the non-economic aspect, which of course could be the subject of another speech.

The great American influence over us, I submit, is not in their ownership of our resources and factories but in the fact that they are our biggest customer and, like any customer, they always have the right to shop elsewhere or manufacture at home the goods we export. In this respect Canada's position is like that of Japan and West Germany vis-à-vis the United States. Japan and West Germany are two great economies. No one could claim that they are in any sense owned by the United States; nevertheless, they have been dramatically affected by President Nixon's unilateral initiative.

In Japan for example, the value of stocks trading on the Japanese stock market has declined 20 per cent since August 15. During the same period in Canada the stock market has been virtually unaffected. The Japanese have also been forced to revalue the yen, moving it upward by 6 per cent. Japanese businessmen, like those in Canada, must be going to the government saying, "We want our currency devalued vis-à-vis the United States". But the Japanese government is in no better position to respond positively than is our own. And ownership has nothing to do with it. However great and independent these world traders are, the fact remains that the United States is their best customer too, because the United States is everybody's best customer due to its huge consumption. None the less, as a country with the greatest trade contact with

[Mr. Kaplan.]

the United States there is no doubt that Canada has been the most affected.

Yet, although the American ownership of our economy is more a political than an economic concern, it has an economic dimension. That economic dimension has only become apparent, at any rate to me, since August 15. That is this: most of the American firms operating here also operate in the United States, often integrated on a continental basis. On the other hand, most Canadian firms do not operate in the United States and have no plant or equipment there. This is simply because the United States has a more mature economy.

The implication of this difference is that when incentives appear in the United States, like the DISC program, the Buy American program and the surcharge—which are all incentives to transfer manufacturing operations to the United States—United States subsidiaries in Canada are in a much more flexible position to take advantage of them. They are free to go where they will make the most money. Of course, Canadian firms are free to move to the United States and seek the benefit of these incentives. However, with Canadian firms there is the inertia factor deriving from the fact that moving to the United States requires a new kind of internal policy.

Let me, therefore, toss the question in the air: What are the Americans and other foreign firms in Canada doing to preserve their Canadian manufacturing operations? We all know one thing they are doing—they are coming to Ottawa for grants under the employment support bill designed to maintain employment against measures like the surcharge. They should be entitled to these grants on the same basis as other businesses. But what are these firms doing and saying in Washington? They are, after all, in a unique position to advocate free trade there. These huge international U.S. firms are the inventors of the concept that international movement of trade is a dynamic force increasing world prosperity.

Are these firms speaking for free trade in Washington as other good Canadian corporate citizens would if they had the chance? Are they pressing their case, or are they moving back home? Are they converting or preparing to convert their Canadian factories to distribution centres and warehouses for American-made goods? I do not know the answer, Mr. Speaker, but I would like to know it.

If we learn that the United States does intend a new economic relationship with Canada, with protectionist tax subsidies both for domestic production like the measure passed in the House of Representatives this afternoon, and for exports like the DISC program which passed the House of Representatives last Tuesday, if their plans are to return industry to the United States and gear our economy by market pressures, to the extent that we permit, into a conduit of raw material to United States population centres, it is very clear to me that the tax bill before us will need revision. We will need measures modelled on the American method.

• (8:50 p.m.)

Canada has its own industrial prosperity to protect. If the Americans want to reduce world trade to a game of marbles, in so far as possible Canada must adjust. Our tax act will have to be used to stimulate manufacturing, employment and exports in a way which has never before