Now, seven years later, we are just beginning to come to grips with the proposals of that Royal Commission. Not everyone agrees with them. And yet most of us can agree, I think, upon the importance of the subject. That is why I am happy to see you have chosen this theme for your discussions. I hope many more organizations will follow your example. The views and conclusions which Canadians form on this subject, and the resulting decisions which they and their governments take, will have a vital bearing on the future of our country.

Let me begin by saying that I have no fears about the kind of foreign investment that can be paid off at some time in the future, out of profits or from rising incomes. After all, the United States economy got its real start in the last half of the nineteenth century with foreign capital -- mostly British capital. But the great bulk of that capital was in a form which could be paid off at maturity and, in fact, this was what happened.

One change that was made in the Canadian tax laws in the summer of 1963, which did not attract as much attention as I believe it deserves, was the relief from withholding tax on interest paid on Canadian bonds and debentures sold to non-resident institutions that are exempt from tax in their own country.

For example, most American holders of Canadian bonds pay U.S. taxes. They can offset most or all of the Canadian withholding taxes on the interest they receive from the taxes they pay to Uncle Sam, so they are not out much, if anything. If we were to drop our withholding tax in such cases, the only effect would be to reduce the revenues of the Canadian Treasury in order to benefit the United States Treasury. That would be an act of generosity which this country cannot afford and which our American friends are too affluent to need.

But the fast-growing pension trusts in the U.S. do not pay taxes in that country. That being the case, it has not been in their best interests to buy Canadian bonds on which the interest was subject to Canadian withholding tax. It was to secure access to this new and great potential market for our bonds that the change in our tax laws was made last year. Now, after obtaining the necessary certificate from the Department of National Revenue, the city of Peterborough, for example, is in a position to sell its debentures to a U.S. pension trust without being required to deduct the 15 percent Canadian withholding tax from the interest payments. Not only will this make Canadian bonds more saleable but it will help to keep interest rates as low as possible.

But what worries some people, myself included, is that so much of the foreign capital invested in Canada is not in the form of bonds or other fixed-term securities, which can be paid off some day, but, instead, is in the form of equity investments that can never be paid back if the foreign owners do not wish to sell. The most recent figures available show that at the end of 1961 our total foreign liabilities had reached $27.8 billion, and nearly half of that amount, $13.7 billion, was in the form of direct investment in foreign-controlled branch plants and subsidiaries. This means that much of Canadian industry -- certainly a very great deal of our big industry -- is controlled by absentee owners more or less indefinitely. I do not believe this to be healthy.