

to the maximum extent possible. In Canada's case the practical problem is our lack of sufficient domestic capital to meet our requirements. We therefore must choose between slower economic growth and the wise utilization of foreign capital. Some might be prepared to accept the lower standard of living that slower economic growth would dictate, but the fact remains that most Canadians undoubtedly want a sustained high rate of economic growth and the better living standards it makes possible. To fulfil this desire, Canada must continue to have access to substantial amounts of foreign capital.

This is a matter in which the experience of the Province of Alberta may be of interest. In the late 1930s the provincial government made a concerted effort to stimulate energy resources development. Serious attempts were made to persuade financial houses in central Canada to encourage the investment of Canadian capital in the search for oil in Alberta. These appeals met with very little response. At that time the mining industry in Ontario and the pulp and paper industry in Quebec were the main centres of attraction and there was little interest in what was regarded as the highly speculative risks involved in searching for oil in the Canadian west. Failing to interest Canadian capital, the provincial government and the petroleum industry in 1938 sent a joint delegation to England to try to interest British investors in the potential inherent in the search for oil. Unfortunately the time was not opportune. War clouds already were forming over Europe and the Second World War was in the offing. These uncertain conditions deterred any interest that might otherwise have been aroused on the part of British investors. It was at this point the Government of Alberta turned to the United States as a source of investment capital for the development of natural resources of vital importance, not only to the province but to Canada as a whole. The results of the response are now facts of history. Suffice to say, the transformation in Alberta's economy and standard of living which has taken place in the last quarter of a century has been due in no small part to the substantial infusion of American capital that started at that time.

The social and economic improvements which that transformation produced may not appear significant to a generation that has come to regard these advantages as not only a matter of course but of right, but to those who endured the privations of the grim depression years before this development took place, the contrast is seen in a very different light.

At the same time it must be recognized that there are important factors pertinent to the wise use of foreign capital. It must be made clear to foreign investors that they will be expected to be sensitive to Canada's legitimate national aspirations, concerns and interests. As an evidence of such sensitivity they should be willing to accept a minority equity position in Canadian corporate structures and be prepared to enter into joint ventures with Canadian companies rather than establishing new corporate entities in which the majority of equity stock is held by foreign interests. American companies desirous of doing business in Canada should, as a matter of policy, utilize Canadian management and Canadian labour to the

maximum extent possible. It goes without saying that such companies should conform in every respect to Canadian domestic policies as evidence of good corporate citizenship.

The Government of Canada on the other hand should drop its negative attitude to foreign capital and should concentrate on ways and means to ensure maximum benefits to this country from foreign investment. We should avoid arbitrary blanket controls of a nature that makes Canada unattractive to international investors. We should not make the mistake of assigning broad regulatory powers over foreign investment to bureaucratic government agencies. We should reject the ill-founded proposition that the Government should restrict the free movement of corporate ownership between nations by erecting statutory "Berlin walls" to forcibly retain such ownership in Canada.

It is significant that those who claim to be the great champions of civil rights and who make the loudest protests against any curtailment of the right of individuals to do as they wish and to move freely and at will between nations, even if their interests are subversive, are the same people who clamour for government restrictions to prevent Canadian citizens from exercising their legitimate right to transfer their joint ownership of a company to foreign investors.

**Hon. Senators:** Hear, hear.

**Hon. Mr. Manning:** A nation that professes to be a free society can best retain within its boundaries the ownership of its corporations by means of the same inducements which effectively retain the domicile of its citizens, namely, a social and economic and financial and political environment that makes such domicile or ownership desirable and beneficial.

Above all, our prime objective should be to develop a positive program to encourage and facilitate investment in national economic growth by the maximum number of Canadian citizens. This, I submit, requires two things: first, a tax structure that does not discourage individual Canadian investors or put Canadian companies at a disadvantage as compared to their American counterparts.

This is one of the serious weaknesses of the present Canadian tax structure and of the federal Government's White Paper proposals for tax reform. In too many circumstances American investors and American corporations enjoy greater tax advantages than their Canadian counterparts which has the effect of putting them in a position to outbid Canadian interests in acquiring control of Canadian companies.

Second, if we really want the participation of the maximum number of Canadians, we must take the steps necessary to restructure the traditional procedures used in raising equity and debenture money for corporate enterprise. The present practices provide only limited opportunity and even less inducement for individual investors to get involved. Too often when a stock or debenture issue comes on the market it is tailored to the convenience of the institutional investor. Underwritten issues frequently are placed privately with large institu-

[Hon. Mr. Manning.]