

In the period since 1962, Mr. Pearson's Liberal administration introduced further measures. The withholding tax was modified to provide an incentive to foreign-controlled corporations to take in minority Canadian partners. A first version of this legislation was modified to reduce the incentive. A measure to impose a heavy penalty on foreign takeovers was abandoned in response to pressure from both inside and outside Canada. A generous capital-cost allowance aimed at stimulating new capital investment in the private sector was extended only to corporations that offered a minimum degree of Canadian ownership. Regulatory insurance legislation was amended to encourage life companies to acquire a larger share of equities in their portfolios. The withholding tax was modified to encourage capital inflows in the form of debt securities as compared to equity investment.

In the last budget, additional steps were proposed and are now before Parliament. A measure was introduced to amend the Bank Act which, among other things, will ensure Canadian control of chartered banks and will limit the activities of foreign-controlled banks in Canada. A resolution was introduced to prevent foreign control of Canadian newspapers and to confine Canadian periodicals under foreign control to those now operating in Canada. A measure was introduced to establish a Canada Development Corporation, with the express purpose of financing, under Canadian control, large new resource and industrial enterprises, and also to provide a pool of equity capital which could bid for enterprises exposed to foreign take-over. The generous capital-cost allowance on new investments - which was confined to enterprises open to Canadian equity participation - was extended for a further period. Public statements made by the Minister of Finance and others continued to emphasize a policy of discouraging further extension of foreign-controlled enterprise in Canada.

Taken together, these measures over the past decade are, in number and quality, a rather formidable expression of public policy on this issue of foreign penetration in the Canadian economy. I know you do not expect me to evaluate these measures, either from the point of view of strategy or of their objectives. I trust that competent Canadian scholars will perform this task. I would, however, like to offer a few concluding comments on policy.

First, we should be clear as to our objectives. I would suggest that we should, as far as possible, aim to discourage the extension, on balance, of the share of Canadian business enterprise controlled outside Canada. I am thinking here of actual control rather than statistical control (which is the technique we now use for measuring degree of foreign control). I am distinguishing here between enterprise wholly-owned abroad from enterprise with a degree of Canadian participation.

Second, we should aim to reconcile this first imperative with the desirability of continuing to draw on foreign direct investment where this makes a significant contribution to the growth and efficiency of the Canadian economy. This reconciliation will not be easy; indeed, it is at the heart of the Canadian dilemma. But I believe that, from a practical point of view, these apparently conflicting objectives can, to some degree, be reconciled.