But in bad times it makes no sense whatever for Canada to buy more goods and services abroad than we sell abroad. From 1958 to 1962, for example, we had unused resources and great numbers of idle people in this country. And yet we kept on going into debt to foreigners and selling off our Canadian companies to them in order to pay for the things we wanted to import. This did not make sense. In effect we were importing unemployment.

The situation is much better now than it has been for some time, but we have a considerable way to go before any of us can feel satisfied. We are still running a substantial deficit on current account in our balance of payments -- and, while unemployment is lower now (on a seasonally-adjusted basis) than at any time since 1957, there are still too many people unemployed in some parts of the country.

The best way to correcting this situation is not to restrict imports but to expand our export trade. In practical terms, if we are to be successful in doing this, we shall have to increase our exports to the United States. (We have a surplus on current account with other countries and a huge deficit in our transactions with the U.S.) Furthermore, we shall have to increase very considerably our exports of processed and fully-manufactured goods. This must be a major goal of Canadian economic policy.

But, as I have said, some 60 per cent of Canadian manufacturing industry is controlled by non-residents, mostly Americans. And most of their wholly-owned subsidiary companies were established here to service the Canadian market -- and at one time to take advantage of Commonwealth preferences We know there must be greater rationalization, greater concentration, greater specialization, all aimed at mass production, and a greater share of the North American market. In other words, we know we must increase our exports to the U.S. That is why so much stress has been laid on the automobile programme. It is imperative that we obtain for Canada a fair share of total North American production. Our difficulty is to persuade the absentee owners of these Canadian subsidiary companies to reorganize them, to streamline their production and to permit them to export to other countries, including the United States, if necessary, in competition with their parent companies.

If the basic decisions for so many of our manufacturing companies continue to be made in the United States (and in other countries), we may not be successful in bringing about the kind of reorganization, the kind of expansion and the kind of new thinking that will be needed. This is the crux of the problem we are faced with.

That was the reason why last year's budget contained measures to encourage wholly-owned subsidiary companies controlled abroad to take in Canadians as partners in both the ownership and direction of their affairs. This was done in two ways -- by a lower withholding tax on dividends paid to non-residents and by very valuable tax incentives for industrial expansion. The purpose is to bring more Canadians into the decision-making processes of these companies, from the boards of directors on down through the lower management levels. Such a development will greatly increase the likelihood that these firms will be sensitive and responsive to Canadian interests and Canadian objectives.