

their rifles but today, even in Canada, we see sharp local reaction to multinational corporations' shortsightedness in such sensitive matters as local language issues, local cultural patterns, air and water pollution and plant location.

Opportunity for advancement to the highest level for locally-recruited staff is an obvious necessity, as is participation as a corporate citizen in the social and cultural life of the local community. Perhaps less obvious is the need to rid management of branch-plant mentality and a tendency to see everything in terms of the parent-subsidiary relation. It is asking for trouble, for example, to concentrate research, development and design in the home country, denying to the host nation opportunities to strengthen its own scientific and technological capabilities and to give their own experts the chance to develop at home their special talents and skills. It may also be very poor business.

My concluding thought on the subject of multinational corporations is that we should all — governments and corporations alike — be thinking constructively about the development of guide-lines and standards — international law if you like — for regulating the methods and activities of multinational corporations. Just as governments see advantage in international arrangements covering the conduct of their affairs abroad, so these corporations, with their considerable influence on international situations and relations, stand to benefit from co-operative efforts to build up a body of ground rules.

#### IDEAL FOR ECONOMIC NATIONALISM

What is at issue in the debate about economic nationalism is a reconciliation between two principles — the principle that the peoples of the world will be more prosperous if they trade freely with one another and have access to capital, technology and ideas from all around the world, and the principle that the people of each sovereign state should have as much control as possible over their own economic destiny.

It is my belief and it is the burden of my remarks to you today that a reconciliation between these two principles is possible without imposition of harmful restrictions upon trade and capital movements.

My belief is based on what has been happening in the world since the war; a period that has witnessed the most rapid rise in standards of living in history. It has witnessed the emergence of dozens of new states, each intent on controlling its economic destiny. It has been a period without the kind of world-wide depression that occurred periodically before the war.

And this is the point — during this same period there has been a dramatic reduction in barriers to international trade, an enormous increase in the volume of trade and an unprecedented and ever-

growing movement of capital and technology across national boundaries.

The historical evidence is certainly that freer trade and access to capital, technology and ideas reinforces the ability of individual countries to control and improve their economic performance. I cannot resist adding that the policies of economic nationalism that were so widely practised during the pre-war period did not protect individual countries from the effects of the Great Depression. In fact the reverse was true. Moreover, during this recent post-war period we have seen a dispersal of economic power, not a concentration. The United States, once a giant among mortals, is now only one of the great, sharing its economic power with the new Europe and Japan.

Another reason for my belief that a reconciliation is possible is that the extremes are being abandoned. Protectionism, as such, is no longer respectable as an economic doctrine, no longer acceptable as a means of increasing national wealth. At the other extreme, the art of trade-negotiation is improving so that the removal of trade barriers is being managed with less pain. Turning to foreign investment, the argument is no longer in terms of black or white. It is usually presented as a matter of degree, or a matter of behaviour of multinational corporations, or of the degree of control exercised by the government of the parent company, or the sector of the economy in which the investment is being made.

\* \* \* \*

#### CANADA-U.S. INTERDEPENDENCE

Let me conclude by applying some of these generalizations to my own country, Canada, where the debate about economic nationalism is probably as intense as in any other country.

With you, we share the North American continent north of the Rio Grande. Our economies are interdependent to the point where they might better be described as interlocked. Total trade between us exceeds 20 billion dollars annually; each is the other's best customer. If we were economies of the same order of magnitude the problem would be different and certainly less acute. But we are not: there is a factor of ten or more to one in your favour in terms of our populations and our gross national products. In *per capita* terms Canadian investment in the United States exceeds American investment in Canada. The difference is that your investment in Canada results in some 50 percent American control of our manufacturing industries — in some sectors, including automobiles and petrochemicals, the percentage is much higher. On the other hand, the degree of Canadian ownership of the American economy is negligible.

American ownership of so much of our economy largely results from the operations of American multi-