imposed by the direct-investment guidelines will not conflict with the necessities of our own domestic situation. In particular cases they may, however, result in the delay or cancellation of projects that we might have preferred to see proceed. It is our general economic dependence on imported capital which exposes us to dangers of this kind.

In all the circumstances, we have been fortunate in making arrangements that enable us to finance our balance of payments without restriction on current trade or payments and enable us to secure foreign savings to supplement our own.

I cannot agree with those who say that we should have accepted the application of the interest-equalization tax and accepted limitations on our right to raise long-term funds in the United States and should in return have retained our freedom to increase our reserves at will....So far as I can see, the result would have been to increase very substantially the cost of Canadians borrowing money both in Canada and the United States without increasing the supply of funds available to us and without gaining anything of substance by way of increased freedom to control our own affairs.

These American guidelines limiting direct investment have also raised another issue that is to say, whether through them the United States Government is interfering in the internal economic affairs of this country. As I have already said, we pointed out to the United States Government that this kind of measure as it applied to Canada was of very doubtful value as a means of relieving the United States balance-of-payments problem. I believe they would have been better advised to continue the exemption to Canada, both on economic and political grounds. It must be recognized, however, that in attempting to limit the direct investment of its companies abroad, the United States Government is following well-established precedents. Other countries faced with balance-of-payments problems – I have in mind, for example, the United Kingdom and France – have taken and do take measures to limit direct investments abroad of their international companies, and I have never heard of any suggestion that either the United Kingdom or France is thereby interfering in the internal affairs of other countries....

ADVANTAGEOUS RESULTS EXPECTED

But given the overall arrangements between the Canadian and United States Governments which ensure an access to the United States market for long-term funds and the scale and nature of the temporary guidelines on direct investment, I do not think there will be damage to the Canadian economy at this time; indeed, the results could be advantageous if the emphasis on capital imports is shifted somewhat from direct investment to borrowing as successive Canadian Governments...have been attempting to promote in the past decade. Certainly, it is inconsistent for Canada to protest measures which have the effect of limiting the foreign ownership of our industries and resources.

This is a situation that calls for watchfulness on the part of the Government. We want to see the Americans succeed in their efforts to solve their balance-of-payments problems, we are on their side, so that these kinds of defensive measures on their part, the kind of measures I have been talking about, will become unnecessary. This Government will continue its consultations with the United States with the aim of ensuring that both countries deal with their balance-of-payments problems in ways that take into account the interest of the other.

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PENSION FUNDS FOR PROVINCES

Mr. Mitchell Sharp, Minister of Finance, announced recently that an estimated $380 million would become available to the provinces during 1966 from the operations of the Canada Pension Plan.

Under the Plan, all funds received but not required to meet expenses and the payment of benefits during the following three months are transferred to the Canada Pension Plan Investment Fund for the purchase of securities issued by the provinces or the Federal Government. These will be special non-marketable securities, with terms of up to 20 years, bearing interest based on the yields of Government of Canada marketable bonds of comparable period.

The allocations for purchases of provincial securities by the Canada Pension Plan Investment Fund are proportionate to the amounts of contributions paid in each province. Any balance not taken up by the provinces, together with funds collected in the Yukon and Northwest Territories, must be invested in special non-marketable securities of the Government of Canada.

The first monies from the Investment Fund will become available in March.

PROVINCIAL ALLOCATIONS

The estimated amounts to be offered to each province this year will be as follows: British Columbia $53.99 million, Alberta $34.90 million, Saskatchewan $17.89 million, Manitoba $23.80 million, Ontario $214.92 million, New Brunswick $10.85 million, Nova Scotia $14.45 million, Prince Edward Island $1.45 million, Newfoundland $7.75 million.

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