



CANADA

# CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION • DEPARTMENT OF EXTERNAL AFFAIRS • OTTAWA, CANADA

Vol. 19 No. 46

November 11, 1964

## CONTENTS

The Economic Price of Canada's Independence .....	1
Problems and Techniques of Peace Keeping .....	3
Motor-Vehicle Shipments .....	3
McKee Aviation Trophy .....	4

Canada Ups UNICEF Contribution .....	4
Aid for Ceylon Airport .....	4
Mineral Research Grants .....	4
Forest-Fire Figures .....	6
More Heavy Water Needed .....	6

## THE ECONOMIC PRICE OF CANADA'S INDEPENDENCE

The following is the text of an address by the Minister of Finance, Mr. Walter L. Gordon, to the sixth annual Industrial and Municipal Relations Conference, on the conference theme "United States Investment in our Communities and Industries":

...For some time this question of massive non-resident investment in Canada has been widely debated in academic, business and editorial circles. It was the subject raised most often in the briefs and submissions presented in 1955 and 1956 to the Royal Commission on Canada's Economic Prospects, of which I was chairman. That Commission, in its reports dated December 1956 and November 1957, was unanimous in pointing out both the great benefits of foreign investment and also some of the dangers. Referring to foreign-controlled subsidiaries and branch plants, the Commission suggested:

"(a) Wherever possible, they should employ Canadians in senior management and technical positions, should retain Canadian engineering and other professional and service personnel and should do their purchasing of supplies, materials and equipment in this country.

(b) They should publish their financial statements and make full disclosure therein of their Canadian operations.

(c) The larger Canadian subsidiaries should sell an appreciable interest (perhaps 20 to 25 per cent) in their equity stock to Canadian investors and should include on their boards of directors a number of independent Canadians."

The Commission said that it was desirable that Canadian control of the Canadian chartered banks and life-insurance companies should be maintained.

It suggested that appropriate action be taken to prevent any substantial measure of control of these institutions from coming into the possession of non-residents.

Now, seven years later, we are just beginning to come to grips with the proposals of that Royal Commission. Not everyone agrees with them. And yet most of us can agree, I think, upon the importance of the subject. That is why I am happy to see you have chosen this theme for your discussions. I hope many more organizations will follow your example. The views and conclusions which Canadians form on this subject, and the resulting decisions which they and their governments take, will have a vital bearing on the future of our country.

Let me begin by saying that I have no fears about the kind of foreign investment that can be paid off at some time in the future, out of profits or from rising incomes. After all, the United States economy got its real start in the last half of the nineteenth century with foreign capital - mostly British capital. But the great bulk of that capital was in a form which could be paid off at maturity and, in fact, this was what happened.

### LITTLE-NOTED TAX CONCESSION

One change that was made in the Canadian tax laws in the summer of 1963 which did not attract as much attention as I believe it deserves, was the relief from withholding tax on interest paid on Canadian bonds and debentures sold to non-resident institutions that are exempt from tax in their own country.

(Over)