Canadian government policy. An instance is the refrigerator market in Canada.

Our refrigerator market is approximately 400,000 units per year. This demand could be efficiently supplied by two companies but we have nine in Canada, seven of them being U.S. branch plants. What would be best for Canada would be to combine these refrigerator companies, thus bringing down the price through a rationalization of the industry and through more efficient competition. But because of U.S. anti-trust legislation, Canada cannot do this for the benefit of its consumers.

Moreover, U.S. policy can affect the Canadian money market. In 1963, 1965 And 1968 the United States government demanded that American subsidiaries in Canada return capital to the United States. This upset our whole money market. Indeed, the President of the Royal Bank of Canada was prompted to say:

Our own monetary authorities appeared to be attached to a string . . . the business end of which is held in Washington.

There is a fourth way in which foreign domination is detrimental to the Canadian economy. United States companies in Canada buy the majority of the component parts they require for manufacturing from their parent companies in the United States, which in turn means more jobs for Americans. Some 70 per cent of company imports in Canada come from the parent companies in the United States. American subsidiaries in Canada do not compete vigorously for foreign markets because this would be competing with the U.S. parent companies. Indeed, 82 per cent of the production of subsidiaries in Canada is sold in this country.

The fifth way in which foreign control is detrimental is that it results in our having a branch plant economy. This means that research and development are done in the United States rather than in Canada. As a result, we are exporting our scientists, engineers and technologists, and many of the bright young people graduating from our universities. They are going to the United States where the research is done. In 1951, 11 per cent of Canadian engineers and scientists left for the United States. In 1956, this figure had risen to 46 per cent. The science and engineering work force in Canada is growing at a rate of 9 per cent annually, the highest of all the occupations, and in 1970, 882 Canadian engineers and scientists moved to the United States. We all know how hard pressed the remainder are to try to find jobs here in Canada.

The Department of Industry, Trade and Commerce reported in 1970 that foreign-owned firms were spending little or nothing on scientific research and development in Canada. Despite the fact that sales had risen 35 per cent, research spending here rose only 18 per cent, the average expenditure being $325,000, a sum considered trivial for the size of the firms investigated by the department. For example, in the rubber and plastic industries in 1967, $6.06 per $1,000 of sales was spent on research in Canada while in the United States this figure was $11.33 per $1,000 in sales. As a result, we have a lack of jobs in Canada for university graduates, and Canadian subsidiaries get new technology later than their parent firms, which weakens Canada's position in world markets.

Moreover, a foreign-controlled economy means that the decision to expand or close branch plants is made in the United States by American companies to benefit American workers. When the American economy slows down the first lay-offs will take place in the branch plants in Canada. There are many examples to document this statement. One could think of Dunlop Tire in 1970. There is the infamous example of the U.S. company, Selkirk-Metalbestos, which made a decision in 1968 to take an Ontario Development Corporation grant of $77,000, supposedly to create jobs by expanding a plant in Brockville. However, the company then bought another firm in Hamilton, closed it down and moved that operation to Brockville. The result was that in Hamilton 50 workers lost jobs, and in Brockville ten new jobs were created, but at lower wages than had been paid in Hamilton. In light of this evidence, how can it be argued that foreign subsidiaries work primarily for the benefit of Canadians? The decision making in our economic sphere rests with foreigners who place their interests above ours.

Why on earth have Canadians accepted this state of affairs? Many myths have been propagated about our economy, and I would like to examine a few of them. We have grown up under the myth of the necessity for foreign investment and the necessity for subsidiaries in Canada. We are told, for example, that Canada is 30 per cent less efficient than the United States in most secondary industries. This is a fact. We are told the reason we are less efficient is that we have a small population, we have to ship products a greater distance, we have a poor climate, our workers do not work as hard and our managers are not as skilled. But the facts belie this. A population of 21 million is not small. It is three times the size of the population of Sweden which is more prosperous than we are. Sweden has a less favourable climate than we, less favourable geography and agriculture, yet it is prosperous. Most of our industry is in southern Ontario where geography and climate are equivalent to the United States industrial heartland, and our workers are as good or better than American workers in productivity. Just talk to any automotive assembly line worker about that. The real reason that we are less efficient is duplication, and the inefficiency of our branch plant economy.

• (1550)

Another myth that has been propagated is that Canadians do not have the capital and must seek foreign investment. This may have been true in the past, but it certainly is not true now. From 1961 to 1967, over 60 per cent of the capital financing of foreign firms in this country was raised right here in Canada from Canadian sources. Indeed, in 1970, American subsidiaries raised 94 per cent of the capital needed for expansion and for buying up Canadian companies right here in Canada from Canadian banks and investment companies. We are the only country in the world that is financing its own sell-out. Foreign investment is not the blessing it is purported to be. From 1960 to 1967, American subsidiaries sent to the United States $1.8 billion more in profits than they received in capital inflow. Who benefits from this investment? Surely not the Canadian economy.

There is also this other myth that foreign owned corporations are contributing to the Canadian economy through the taxes that they have to pay. Mr. Speaker, 38 per cent of the manufacturing industry in this country did