

Canadian Subsidiaries of Foreign Companies

The guide lines recently enunciated were of such a nature as to constitute a derogation of Canadian sovereignty. It was for that reason we took the strongest possible objection to several portions thereof.

I recall very well the arguments we had on this question during the days we were in office. One of the most striking was at the time we entered into arrangements to sell wheat to communist China. The then U.S. administration was opposed to any policy of dealing with communist countries, in non-strategic materials as well as in strategic ones, and did nothing which would allow Canada to carry out her policies.

Indeed, the only wheat loaders available were those manufactured by a Canadian subsidiary of a United States corporation, and almost at the last moment word was received that we were not going to be able to secure those loaders.

I saw the then President of the United States and, as reference has been made in one or two books to the events of that time, I go no further than to say that I made it perfectly clear that if that attitude were not altered Canada would have to take the strongest possible action. That was interpreted as anti-Americanism. In fact, it was pro-Canadianism.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: I say to the minister that he will have widespread approval for the announcement he has made. The stand he has taken is one we have long advocated, and which we carried out when in office. I realize that in the stand he has taken, with the wide knowledge he has of corporate business, he places Canadian interests first and foremost.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: That is and has been our attitude, and will continue to be our attitude. We welcome American investment, but we ask that American and other foreign investment in Canada shall so conduct itself as to merit the description that he used, namely good Canadian citizenship.

Mr. T. C. Douglas (Burnaby-Coquitlam): Mr. Speaker, I desire to commend the minister for these economic guide lines which are being sent out to the subsidiaries of United States corporations in this country. I think this is a great—

Mr. Winters: May I interrupt to say not only United States but all foreign subsidiaries.

[Mr. Diefenbaker.]

Mr. Douglas: But as I understood the minister and from reading his letter, it is primarily directed to United States subsidiaries in this country. This is a long way from the position the government was taking in December, when the American guide lines were being described by ministers of the crown as an economic political windfall. I think in his letter to the various corporations in Canada the minister has put his finger on the real problem, and that is that we in Canada do not object to—on the contrary we welcome—companies coming into this country which bring capital, technical know-how and research capacity which in many cases we have not got here.

The real problem, as the minister has pointed out in his letter, is that the decision-making power may be located outside Canada. That decision-making power may be used not in the interests of Canada but in the interests of some other country. I hope the minister's letter, and the questionnaire he is sending out, will enable him to get information that will permit the government to formulate a policy, but I want to point out that the real nub of the question is contained in No. 3 of the guide lines, which says:

Maximum development of market opportunities in other countries as well as in Canada.

I think the government will have to spell this out a lot more specifically if we are not to have a repetition of the situation which obtained last summer when three milling companies in this country, subsidiaries of United States corporations, refused to mill wheat into flour because it was being sold to the Soviet Union for transshipment to Cuba.

The Canadian government has to make it clear, both to the United States authorities and the United States subsidiaries in this country, that once a corporation is domiciled in Canada, registers under the laws of this country, uses the resources and labour capacity of this country, it is subject to the laws and the policies of the government of Canada.

• (2:50 p.m.)

I think this will have to be spelled out much more specifically than has been done in the letter. I believe it will have to be made clear to the United States government that they had better get over the idea that United States subsidiaries in this country are subject to United States legislation, particularly having regard to trading with the enemy legislation, which has been used in the past to