

Foreign Control of Canadian Industries

The Liberal party forgets one very simple fact, and that is that the United States needs us much more than we need the U.S. We have the resources and the raw materials. Because of depletion of all types of raw materials, the United States has a limited reserve in almost every major resource area, even in agriculture. They need us desperately as a bank. We are a stable people. We have stable if unimaginative governments. We are not the kind of people who are going to embark upon a banana republic type revolution. Therefore, U.S. long term investment is fairly protected in Canada.

While our Minister of Industry, Trade and Commerce (Mr. Pepin), our minister who really believes in continentalism but with restrictions, was trying to negotiate with the U.S. about transporting our gas through U.S. territory, considerable opposition in the U.S. was raised because of the diversion of some of the gas in the market.

The Acting Speaker (Mr. Reid): Order. I have to interrupt the hon. gentleman because his time has expired.

Mr. P. M. Mahoney (Calgary South): Mr. Speaker, I very much enjoyed the speech of the hon. member for Fraser Valley West (Mr. Rose), who zeroed in on the cultural aspects of the motion before the house. The hon. member is a cultured gentleman and very knowledgeable in the area of which he spoke. It is indeed regrettable that those in his party speaking to the economic side of this question do not share his expertise.

Basically there are three types of foreign borrowing with which we in Canada are concerned. We can borrow to finance imports of consumer goods, which means paying for our groceries out of debt, as we have been doing on a substantial scale for years; hence an unfavourable balance of trade. We can also borrow to build social capital, such as roads, schools and hospitals. Most municipal and provincial borrowing falls into this category. Thirdly, we can borrow by allowing foreigners to invest in new or existing business enterprises. In this case the foreign investor takes his chances. If he makes profits he sends some of them home. He employs Canadians and he makes them pay taxes. This expands the Canadian economy. If he makes no profits, then he alone is the loser. Canada pays him no interest on his money, and if he loses nobody else is there to repay him.

The first form of borrowing occurs when we have a trade deficit. It is reversed when

we have a trade surplus. The solution is simple, if not easy.

The second form of borrowing is necessary, but social capital provides no direct production of new wealth with which to repay the loans. We must instead count on increased productivity and efficiency in our nation resulting from improved transportation, better health, and better education to generate the means of repayment.

The third form of borrowing, which is foreign investment in our business enterprises, has caused furious argument. The fact is that we will need this money for many years to come, even if we have a trade surplus, simply because we cannot generate enough savings in Canada to develop our resources at an adequate rate.

There are three areas of vulnerability ascribed to the policy of borrowing outside capital in the form of equity. Firstly, there is the vulnerability of importing unemployment, particularly from the United States, because we buy more than we sell. There is the vulnerability of importing economic instability into Canada as a result of depending on an uncertain flow of capital which is largely relative to our total level of domestic productivity. Then, there is the third vulnerability of losing our proper share of ownership and control over the nation's industry and resources.

The argument that Canada imports unemployment because it buys large quantities of goods from the United States overlooks the fact that Canada's exports also go to the United States where unemployment is considered to be a problem on many occasions. The question is whether our unemployment situation is a more serious problem than theirs, and if so, why? And if not, why? We might also ask ourselves whether unemployment in general is caused by importing goods, services and capital from other nations, or is due to more fundamental factors that work upon the economy. We might also keep in mind that there is such a thing as domestic investment in our nation and that its behaviour may be more closely related to unemployment, or employment, than the importing sector.

The second vulnerability is capital inflows which are heavily concentrated in one source, the United States. It is true that a nation that depends on another for most of its capital will experience a demoralization of business activity if there are some interruptions in the movement of capital. The question to consider is why these breaks in the