

Ontario is by far the province which has benefitted the most from the development strategy which I tried to criticize succinctly above. It is in Ontario that most foreign investments are concentrated. And its population has drawn the highest level of income in Canada due to this concentration. Thus the Ontario government cannot be expected to be the one to show the most interest in having this development strategy changed or in having Ottawa limit the inflow of direct investment . . .

We might even ask if the new Federal incentive programs for investment in the underdeveloped areas will be able to modify by themselves, the repartition of investments and employment in favour of these areas. And this is because the private investments, which result more often than not from decisions taken in the U.S., are not in agreement with the Canadian development requirements which are based on east-west axis, but are in terms of continental requirements, i.e. a north-south axis . . .”

M. Lemelin went on to say that in order to overcome economic stagnation, high unemployment and low personal incomes the eastern provinces had attempted to attract foreign investment but this

“gave rise to a climate of competition and rivalry between the provinces which can only be detrimental in the long run to the interest of all regions as a whole and each one individually. As soon as Quebec and the Atlantic provinces try to improve conditions for new firms to move in, Ontario subtly went about adopting various reprisal measures. And then the western provinces had to follow suit and try to go one better, were it only to remain in the race. Political tensions have resulted from this which are a greater threat to the unity of Canada, perhaps, than Quebec cultural nationalism . . . Contradictions between the economic interests of the large areas of the country maintained by the inertia of the central government, by its refusal to plan our development, by its too great confidence, which is both unjustified and unjustifiable, in the automatism of direct investment here in Canada by what George Ball calls those mighty engines of enlightened capitalism, the multi-national firms, those are, according to me, the fundamental causes of the political tensions which have been undermining the Canadian union for a number of years”.

That these regional investment disparities have serious implications for Canadian unity was also indicated in the testimony given to the Committee by Dr. Merrill Menzies who indicated the importance of maintaining a flow of foreign investment capital into the underdeveloped regions of Canada:

“I think it has been made fairly clear that the great resources of western Canada in its new frontier will require investment capital and a great deal of it. There is no reason for believing that capital needs for the West for resource development will be more than partially met from domestic sources and that the pace of resource development which should be maintained over the next twenty years or more will need investment from outside Canada. I think this is true however successful we may be mobilizing more effectively domestic savings within the country . . . With all these obligations before us, our problem is to make sure that we have the levels of investment that are needed, the capital that we need. This means that the doors for foreign investment must be kept open, certainly for the time being and for a considerable time. Beyond this, the most