

# HERB GRAY REPORT: A FEEBLE BLOW

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As celestial choirs hummed a strain of O Canada and the pulse of Canadian nationalists everywhere raced quicker, the Herb Gray Report burst upon the country's consciousness two weeks ago.

What the report, or at least the pirated version of it that appeared in Canadian Forum Magazine, told us was that unless something is done in a big hurry, Canada runs the risk of becoming nothing more than an economic and cultural satellite of the United States.

This was hardly news to many Canadians who think that this has already happened and have for many years recognized the omnipresence of the American corporate behemoth in every sphere of the Canadian existence.

The Revenue's Minister's report, for all the uproar it has caused, is really nothing more than the last gasping attempt of a national bourgeoisie to reassert some measure of control over its own economy. The Gray report provides no answers, it's a case of far too little much too late.

Still, what is significant about the report to the Cabinet on foreign investment is that it maps the frightening proportions of American economic domination and reveals that the Trudeau government has been forced to develop at least a basic awareness that the problem exists and must somehow be dealt with.

The basic strategy which the Gray Report recommends to deal with the threatened economic and cultural assimilation into the great imperialistic marshmallow to the south, is a screening agency which would review future foreign takeovers and direct investment in Canada. (Direct investment as opposed portfolio investment is defined as actual, legal control of the assets of a corporation rather than merely possession of share equity.)

Such a body would have the power to block any new foreign economic move which did not conform to government goals regarding Canada's development.

The report also deals with the by-products of foreign investment such as its inhibiting effect on the emergence of a distinctive Canadian cultural identity and the country's forced dependence on a foreign-developed technology unsuited to its own national needs.

Another predictable facet of the report is its call for greater support of Canadian industry and the recommendation to home-grown industrialists and investors to be less cautious in their support of industrial expansion than they have been in the past. The report says that a major factor retarding the development of an autonomous capitalist economy has been the innate conservatism of Canadians about investing in their own country.

It now appears that the edited version of the report which Canadian Forum obtained by as yet undisclosed means, is very close to the document which Gray presented to the Cabinet some time ago --- and which was to have remained secret. It appears, too, that the document has been used as a base for formulating government policy on foreign ownership.

Mitchell Sharp, at the time acting prime minister, admitted in the House of Commons, Nov. 16, that the Cabinet has given approval in principle to the screening agency concept.

The problem with such a scheme, is, of course, that it is very much like shutting the barn door after the horse has escaped.

The main value in the Gray Report is its extensive documentation of the scope and dimension of foreign ownership that already exists in this country. The report shows, for example, that the assets of foreign-owned firms in Canada amount to at least \$50 billion and that at least 58.1 per cent of all manufacturing industries are foreign-owned --- that is a controlling concentration of equity in the firm

resided in a nation other than Canada.

As necessary as it is to prevent any further sellout of our industry or resources, the amount of economic and political power that already rests in foreign hands --- and those hands by a vast majority are American --- will effectively prevent us from ever putting forth any kind of meaningful assertion of our own destiny.

The Trudeau government and the class interests it serves --- that is the industrialist and financiers --- are not prepared to undertake the kind of drastic structural change in our economic system that would end American economic, cultural and social exploitation of Canada. From the government's point of view its fortunes and those of the class it represents are much too closely interwoven with the continued well-being of the mammoth corporate-industrial empire operating out of the United States.

Since the Trudeau government, and indeed the government of any capitalist country, receives its power and direction from the corporate elite it would have no interest in making any kind of substantial change in these power relationships. It just couldn't afford to challenge such a basic element of the status quo as existing American penetration of the Canadian economy.

Talk of buying back the Canadian economy under the existing system is ultimately unrealistic. Despite the token step of attempting to retard the rate of foreign takeover of our means of production, very little is going to change in terms of whose hands the power to make decisions about the lives of Canadians rests.

Still, the Gray Report is an indicator of how far we are from controlling our own economic destiny --- even in a straight capitalist sense --- and how this is fast becoming a central reality to members of the government.

The man under whose name this report was presented is rather an anomalous figure to be involved in a study of the dangers of foreign ownership.

Herb Gray, the honourable member from Windsor West, gained something of a reputation in the spring of 1969 as being little short of a front man for one of the largest multinational corporations of them all, Ford Motors.

At that time he played a key role in covering up the Liberal government's questionable decision to forgive the Ford Motor Company of Canada --- whose main Canadian branch plant is in Windsor --- more than \$75 million in duties it owed resulting from its failure to live up to the terms of the 1965 Canada-U.S. auto pact.

It is not clear at this point exactly what role Gray himself played in the writing of the report, which in the Canadian Forum version has been edited to 75,000 words from an original 200,000.

The research team which compiled the report was headed by a young Montreal economist, Joel Bell. The task force drew upon the knowledge of a large number of experts employed in various branches of the federal civil service.

The report, two years in the compiling, has been called the most comprehensive study of foreign ownership and investment ever undertaken in this country.

Some of the research and the conclusions of the report can help us to better understand the nature of our exploitation. Among the most significant of the observations made:

A large amount of Canadian money is being used to finance the sellout of the country's identity and resources. There is a slower influx of American capital than there has been in the past but as the report points out, over 60 per cent of the financing for the expansion of foreign control between 1961 and 1967 came from Canadian sources. And as the report says: "...If new direct investment were to be entirely excluded from Canada, foreign control would continue to grow in absolute terms, due to both the internal generation of finances by the firm and their

ability to raise external funds in the market."

As a direct consequence of the American --- involvement in the economic life of Canada --- our culture is being all but stultified. There can be no large-scale foreign ownership of production and the development of a national culture.

As the report says, the volumes of foreign investment which hands increases the distinctive national culture. This serious implications since the strength of a country lies in its cultural, social and political indigenous initiative and innovation.

"There is no way of doing this, so that we can get on with our own cultural concerns in such compartmentalized fashion."

The authors of the report also point out a vicious circle development which the country has, the greater the economic domination, the more and a distinctive culture and a greater receptivity to foreign investment. The ease of borrowing from the U.K. or the U.S. forces reducing the pressure on Canada to develop its own cultural distinctiveness.

The country's reliance on foreign investment has retarded the development of its own. The report says: "Some of the largest corporations in Canada are registered in the U.S. --- two-thirds are owned by U.S. investors."

"Another study shows that in many countries, Canada is first in the world in terms of patents owned by foreign nations."

This indicates that technology is being moulded to meet the demands of our own and that if we are to have a sovereignty we must control the technology oriented to specific Canadian needs.

"If technology is in the hands of nations whose power is greater than its use will adapt to the Canadian milieu" the report concludes.

The world's economy is dominated by about 300 multinational enterprises defined by the report as those that spread their activities around all countries as their own. These multinational enterprises are American.

Some sobering statistics about the power of these multinational monsters whose power rivals that of nations:

-Eighty per cent of all American investment is accounted for by 200 multinational corporations.

-Sales of U.S. owned corporations in foreign countries amount to about \$100 billion a year.

-Multinational corporations are responsible for 50 per cent of the Gross National Product of all goods and services produced in the world.

-This percentage will rise to 50 per cent of the Gross National Product of all goods and services produced throughout the world by the year 2000.

-In the near future it will not be possible for giant companies to have their headquarters in the U.S.

-The book value of American corporations abroad has increased from about \$10 billion in 1961 to \$70.8 billion in 1969.

-The conclusion of the report is that the multinational corporations through their consequent greater integration with the world are gaining more power than the governments. There will be a showdown.