

—To take positive steps to encourage increased Canadian ownership and control of economy activity in ways that will facilitate the achievement of greater national independence and continuing economic growth.”

Canadian policy with regard to future foreign investment must be clear but flexible and the methods employed to ensure compliance with such policy must be fair and firm.

The guidelines issued in 1966 to foreign dominated companies (which are quoted in Section 3.24 above) mark the beginning of a policy on foreign ownership. The Committee recommends that these guidelines be kept under constant review, that they be amended and strengthened as indicated in section 3.32 above and that action be taken to make compliance with them more effective in the future.

While foreign investment to date has resulted in substantial advantages to Canada, it has also resulted in disadvantages. Canada should make every effort to minimize these disadvantages in the future and the Committee believes that this can be done by taking the action indicated below.

Among the disadvantages to which attention should be directed, the Committee particularly emphasizes the extraterritoriality of United States laws, the fragmentation of the Canadian market among an excessive number of American-owned subsidiaries and the switching to the United States of the locus of decision-making in vital industries as a result of the excessive domination of such industries by American companies.

The Committee believes it to be important that governmental action to minimize disadvantages of foreign investment should be scrupulously fair to existing investors.

*7.04 Positive Measures for Economic Efficiency* The Committee accepts the conclusions of the Watkins Report (at pages 404 to 406) and the evidence given by Dr. John Deutsch and others that policies adopted by the government should be positive in their nature and designed primarily to improve the performance of Canadian industry and to encourage Canadian owned firms to secure an increased share of vital domestic and export markets. Specifically the Committee makes the following recommendations:

(1) It is recommended that the Department of Industry, Trade and Commerce should continue to provide leadership and planning in rationalizing Canadian industries through the encouragement of mergers of existing sub-optimal firms and the rationalization of the tariff. The anti-combines legislation should explicitly allow for this activity, though it should continue to apply to industries rationalized under Government auspices so as to ensure public benefit. The Government, where it aids in the financing, should participate in the equity through the Canada Development Corporation or otherwise. The Canada Development Corporation should aid in the financing of this industrial rationalization program through mergers and could by equity participation, provide a Canadian presence in those cases where the industry is largely foreign controlled.

(2) As recommended in the Watkins Report, (at page 406) the Federal Government should continue to promote multi-lateral tariff reduction in the interest of the overall efficiency of the Canadian economy, and in order to facilitate the access of Canadian industry to export markets. At the same time,