

I would like also to tell you of my intention to seek the co-operation of large and medium sized subsidiary companies in providing periodically information, on a confidential basis, relating to certain aspects of their operations and financing. In this way the Government will gain a clearer insight into the contribution of Canadian subsidiaries to the Canadian economy.

Questionnaire forms providing a full explanation of the information being sought will be circulated within the next few weeks. I hope that prompt and careful attention will be given this request for information.

Thank you for your co-operation.

Yours sincerely,

Robert H. Winters.

3.25 *Regional and Constitutional Considerations* Undoubtedly one of the most difficult problems is how to reconcile the needs of the provinces and regions of Canada for development capital (so often obtained from American sources) and the desire to maintain Canadian control over the economy as a whole. The unregulated flow of United States capital into Canada has benefitted certain provinces more than others. These regional disparities have serious implications for Canadian unity: the recent growth of separatist sentiment in a number of regions in Canada indicates this fact. This point was emphasized by M. Claude Lemelin in evidence given before the Committee:

"... the nationalists, like almost anybody else, deplore the serious unbalance which has existed since Confederation in the distribution of production and production capacity and consequently of investments and employment, and therefore, of wealth and income among the five large areas of our country. They say that this unbalance is due largely to the remote controlling from foreign countries of the greater part of private investments in Canada. As the decision centres of the Canadian economy are mainly in the States, the law of inertia and the law of benefits encourage Canadian subsidiaries of U.S. firms to settle in the central part of our country, i.e. in the axis, Montreal, Toronto, Windsor. For example, in 1969, about 60 per cent of the new manufacturing investments were made in Ontario and in the metropolitan area of Montreal where barely half of the Canadian population is living, and these are the most developed areas in our country.

Maybe the western provinces of Alberta and B.C. are not suffering too much from this state of things due to their great natural resources and the manufacturing investments that their remoteness from the central zone as well as their high rates of returns attract there.

But it is quite clear that this unbalance in the distribution of investments keeps the Atlantic provinces and eastern Quebec in economic stagnation. On the other hand, this unbalance barely enabled Manitoba and Saskatchewan to begin their industrialization and the diversification of an area which is still too highly based on agriculture.

Because of the uneven investment of capital in the past, it is likely that any policies to regulate foreign investment in the future must take account of regional requirements . . .