

- (e) The Program has been one of the most important means by which a number of Canadian manufacturing industries have been able to keep abreast of advanced technology in such fields as electronics and aerospace. Developing and producing highly specialized defence equipment for our own use and for export has been an effective springhold for successful domestic and foreign sales in related civil fields.

While the Defence Production Sharing Program has produced some significant economic and technical benefits for Canada and has permitted this country to participate more fully in collective defence, some Canadians are disturbed that such sales have also implicated us in certain military operations and defence arrangements in which Canada is not involved.

2.09 Conclusions and Recommendations (Part II) It is clear that there is an unusually high degree of interdependency between Canada and the United States. Because of the much smaller Canadian economy, because Canadian imports from the United States and exports to that country constitute such a high percentage of total Canadian imports and exports and American investment in Canada constitutes such a large percentage of total foreign investment, Canada's position in relation to the United States is such that it would be seriously affected by any adverse economic developments in the United States, whether such developments took the form of inflation or recession; and similarly the United States would be affected by conditions in Canada, but to a lesser degree.

The Committee has also noted the close inter-relationship referred to by Mr. W. Earle McLaughlin between Canada's adverse trade balance on current account with the United States and its imports of capital from that country.

The Committee therefore recommends that the Federal Government, in collaboration with the Provincial Governments, should take steps to bring Canada's current account with the United States into better balance by increasing its exports to the United States, increasing the flow of American dollars into Canada through tourism and other service activities, and by searching out alternative sources of imports; that it seek more diversified sources of investment capital which Canada will require for its future resource and industrial development, and that it encourage greater Canadian investment in Canadian development.

The Committee has also concluded that while continuing attention is required, the Defence Production Sharing Program has not up to the present time been the cause of undue dependency on the United States, and that on balance the program has operated to Canada's advantage.

PART III—AMERICAN OWNERSHIP AND CONTROL OF CANADIAN RESOURCES AND INDUSTRY

3.01 Extent of American Control As indicated earlier, since 1948 there has been a very large flow of capital from the United States into Canada which has resulted in widespread American ownership and control of important Canadian resource and manufacturing industries. Until recently at any rate, Canada has welcomed and encouraged this capital inflow.

There is no evidence to indicate that this capital inflow has been a result of any plan on the part of the United States government or by any group in the United States to take over Canada or essential sectors of Canadian industry or to make Canada subservient to United States policies. This was well expressed by Mr. Robert Fowler: