

I refer to the increase in the withholding tax applied in Canada to the interest and dividends sent abroad by foreign companies doing business in Canada, or paid by Canadians to their foreign creditors.

This measure is intended merely to remove the special inducements in Canadian tax law which have grown up when circumstances were different from those of today, and which had the effect, for example, of encouraging Canadian borrowers such as provincial and municipal governments, as well as business corporations, to prefer borrowing abroad rather than in the Canadian capital market. We, like you, have always had a tax on external remittances of investment income, somewhat comparable with the ordinary income tax on the earnings of Canadian citizens. However, in the course of time we had exempted many such remittances to non-residents from the tax, or portions of the tax. We are now proposing that in future the foreign investor concerned should make the same normal and equitable contribution to the cost of carrying on government in Canada as has always been paid by the non-exempt investors. But I emphasize as strongly as I can that this increase in the withholding tax on certain types of investment hitherto exempt is not an indication of any desire on Canada's part to interfere with the creative investment of American or other outside capital in Canadian industry and commerce. Nor do I believe it will have this effect. We have every reason for and every intention of continuing to make foreign investment in Canadian industry thoroughly welcome in Canada.

Foreign investment has always played a vital role in enlarging the productive facilities of our country and in speeding up our economic development, as was the case for that matter in the United States itself up to the beginning of this century. If we go back to the history of the decade before World War I, we find that there were certain years when the flow of foreign investment into Canada was even greater than it is today, after allowing for the higher purchasing power that the dollar enjoyed in those days. The statistics of the period 1900 to 1914 in terms of foreign investment in Canada have been well documented by a former Canadian well known to most of you as a distinguished economist who for many years was a member of the Economics Faculty of the University of Chicago. I refer to Jacob Viner and to his study of "Canada's Balance of International Indebtedness 1900-1913", published in the early 'twenties. In those days the principal medium of foreign investment in Canada was the bonds or shares of our federal, provincial and municipal governments, or of our railways and other public utilities, which were issued in London or, to a much lesser extent, in New York. Also, even at that time, outside money was being invested in branch plants in Canada, or in purely Canadian firms. Professor Viner calculated that the total net foreign capital inflow for the 14-year period was about \$2.5