

the United States that Canada should remain politically united and economically strong.

The Committee has concluded that, in addition to maintaining political independence, Canada must also maintain a sufficient degree of military, economic and cultural independence that it will, in practice, be able to make the independent decisions which constitute the vital characteristic of an independent nation.

### *7.02 Conclusions and Recommendations*

#### *(Part II) Economic Dependency*

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 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 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.

### *Conclusions and Recommendations*

#### *(Part III)*

#### *American Ownership and Control of Canadian Resources and Industry*

##### *7.03 Definite Policy Required on Foreign Ownership*

The Committee endorses the conclusion of the Watkins Report at page 392 to the effect that the major deficiency in Canadian policy with respect to foreign ownership has been not its liberality toward foreign investment but the absence of an integrated set of policies with respect to it. The Committee also accepts as valid the objectives stated in the Watkins Report at page 393 namely

- “To require foreign owned subsidiaries in Canada to behave as ‘good corporate citizens’ of Canada and to perform in ways that are fully consistent with Canada's economic and political interests.
- To improve the overall efficiency of the Canadian economy, and the performance of Canadian corporations, Canadian owned as well as foreign owned, in ways which will facilitate the capacity to generate self-sustained economic growth.