

*Economic Relations with United States*

Union, the events of Premier Kosygin's visit, the NATO review, whether one thinks of them as being good or bad really does not matter. In my opinion, they are peripheral to the main issue. The main issue is that in an anxious search for an independent posture, the government has neglected the nurturing of a sound relationship with the United States based upon the interests and aspirations of both our countries.

I do not accuse the government of anti-Americanism. Rather, I accuse it of denying neglect. Our interests and those of the United States require that we trade together. Yet the Prime Minister has still to formulate an economic strategy which will enable us to plan a healthy trading relationship with the United States. Our interests, and those of the United States, call for a relationship which will permit Canadians to have a greater share in the economic decisions which will affect our future. The Prime Minister has failed to provide any leadership which will restore Canadian confidence in our independence in this aspect of our national life. For us, Canadian economic independence and Canadian economic development are inseparable. They are simply the ordering of our economic thrust so that the optimal development of the Canadian and United States economies are mutually beneficial. I have often reflected on the curious aspect of our life, particularly because of the cold climate, that Canadians spend such an inordinate amount of time examining their own navels. Self examination is a preoccupation in this country. Such a pastime may satisfy a deeply felt national psyche, but it is no substitute for national purpose and policy.

There are several attributes of economic independence which I think should be discussed in this debate and in their place. These are ownership, control, costs and benefits of foreign investment in Canada, the phenomenon of the multi-national corporation and the key sector approach to an economic policy. The major issue of the debate on foreign investment is the possible frustration of national trading or commercial policies by the extra-territorial application of the law of the government of the country from whence that investment originates. This is a real issue and I suspect it would be recognized as such by both the foreign country involved and, despite public statements to the contrary, by the officers of the company involved. Policy decisions to deal with the problem would not be resisted by foreign governments. This has been discussed many times, particularly with our American friends.

Because there is a potential for extraterritorial application to Canadian subsidiaries of the laws or regulatory practices of the country of the parent company, there is need for a policy decision by the government of Canada. It is not the foreign capital that is the culprit, but in the case of the United States, it is mainly concerned with the application of that country's anti-trust legislation and legislation dealing with trading with the enemy, whatever that nebulous and mysterious word might mean. It is here that fence-mending should take place.

After all few would deny the validity of a policy which ensures that the operations of any enterprise in Canada, regardless of ownership, are responsive and accountable only to Canadian laws. Because Canada is not now nearly so dependent upon foreign capital, we have room to

manoeuvre. In recent years we have produced a surplus in our balance of payments on current account which demonstrates a capability on balance to export capital or to retire obligations abroad. This situation will change if, as, and when Canada enters a new phase of economic growth. We are in the midst of a breathing space because of relatively subdued activity. The reason for this lull is, partly, lack of confidence in the present government. The balance of transactions will shift toward a deficit matched by an inflow of capital in one form or another.

• (5:40 p.m.)

I propose that, rather than turn inward in developing policies toward foreign capital, Canada should take the initiative in the international community to establish acceptable rules within which foreign capital will have to operate. Such an initiative would have as its purpose changes in other countries' laws to facilitate desirable international investment. The key to such general policy would be reciprocal treatment of Canadian capital seeking to participate in the economics of other countries.

The provinces must be consulted closely on any new economic policy. There must be much more effort and emphasis placed upon co-ordination of effort. We heard recently, I think it was at the conference of finance ministers, a call for an exposé by the government of the whole philosophy of the Gray report. The once-trumpeted Gray report, which seems to have been shelved or to have been lost somewhere in the flow charts of the cabinet committee system, cannot have much relevance unless there is close consultation with the provinces. I have sought publication of the statistical data which supports the Gray report recommendations, but the government has not yet complied with what I thought was a reasonable request. Secrecy and lack of candour frustrate public discussion and debate.

Canada requires a new national economic policy is designed to: Insist on the processing of more national resources and minerals in Canada; drastically increase the amount of research and development carried on in Canada by companies based here; make attractive the switching of savings to equity investment; promulgate an explicit policy on resource development; exploit Canada's bargaining power when others need our natural resources; co-ordinate these goals with the provinces, which have concurrent constitutional responsibilities in several of these policy areas.

I have often been struck by the fact that when the Minister of Finance tries to cool the economy down a little through fiscal and economic measures, the next thing we know we read stories in the financial pages of our newspapers about visits to New York by representatives of the provinces and the great municipalities in order to get investment capital. I must say this is not altogether the fault of the federal government but there is, in fact, very little co-ordination between the two levels in connection with these very sensitive questions of fiscal and economic direction.

Dependence upon external sources of capital for financing in periods of heavy investment activity has been characteristic of Canadian development. The main source of that capital used, for good historical reasons, to be Britain. However, during the first part of the inter-war period,