

THE ECONOMIC PRICE  
OF CANADA'S INDEPENDENCE

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The best way of correcting this situation is not to restrict imports but to expand our export trade. In practical terms, if we are to be successful in doing this, we shall have to increase our exports to the United States. (We have a surplus on current account with other countries and a huge deficit in our transactions with the U.S.). Furthermore, we shall have to increase very considerably our exports of processed and fully-manufactured goods. This must be a major goal of Canadian economic policy.

But, as I have said, some 60 per cent of Canadian manufacturing industry is controlled by non-residents, mostly Americans. And most of their wholly-owned subsidiary companies were established here to service the Canadian market - and, at one time, to take advantage of Commonwealth preferences. We know there must be greater rationalization, greater concentration, greater specialization, all aimed at mass production, and a greater share of the North American market. In other words, we know we must increase our exports to the U.S. That is why so much stress has been laid on the automobile programme. It is imperative that we obtain for Canada a fair share of total North American production. Our difficulty is to persuade the absentee owners of these Canadian subsidiary companies to reorganize them, to streamline their production and to permit them to export to other countries, including the United States, if necessary, in competition with their parent companies.

If the basic decisions for so many of our manufacturing companies continue to be made in the United States (and in other countries), we may not be successful in bringing about the kind of reorganization, the kind of expansion and the kind of new thinking that will be needed. This is the crux of the problem we are faced with.

MEASURES TO INCREASE CANADIAN CONTROL

That was the reason why last year's Budget contained measures to encourage wholly-owned subsidiary companies controlled abroad to take in Canadians as partners in both the ownership and direction of their affairs. This was done in two ways - by a lower withholding tax on dividends paid to non-residents and by very valuable tax incentives for industrial expansion. The purpose is to bring more Canadians into the decision-making processes of these companies, from the boards of directors on down through the lower management levels. Such a development will greatly increase the likelihood that these firms will be sensitive and responsive to Canadian interests and Canadian objectives.

Several firms have acceded to the expressed wishes of the Canadian Government in this matter, the most recent being Union Carbide of Canada, Limited. The Government has made it very plain it expects other companies to follow these examples.

More recently, the Government has proposed a further step in its programme of retaining and gradually increasing Canadian control of key sections of the economy. Legislation affecting future foreign ownership of federally-incorporated life-insurance, trust and loan companies has been introduced in

Parliament. It has been announced that a similar policy will apply to chartered banks. The legislation will provide for continuation of existing Canadian control over these financial institutions. The importance of this step is obvious. It will ensure that the direction of the investment of the huge pools of savings in the hands of these companies will rest with Canadian boards of directors and managements - not with people in other countries who do not have the same close knowledge of, and interest in, Canadian development.

The legislation will also widen the investment powers of insurance, trust and loan companies, including the ability to invest a greater proportion of their assets in common shares. It is hoped and expected that the easing of present restrictions will encourage these institutions to use their funds to increase the degree of Canadian ownership in the enterprises in this country. The new measures should reinforce the policy begun last year to encourage Canadian partnership in foreign-controlled companies.

FAIR AND REASONABLE POLICIES

These new policies which have been introduced by the Government in the last year and a half are fair and they are reasonable. They do not constitute, as some have suggested, a harsh and repressive climate, in which foreign investors cannot develop with and profit from our country's growth. We should not - and have no desire to - penalize established companies which have invested in Canada in good faith. And we must bear in mind that for some time to come Canada will need foreign capital in one form or another.

Furthermore, the measures we have taken are far from being unusual or unique. Other industrialized countries have acted to influence and direct the nature and degree of foreign investment in their industries. Among them are such countries as Switzerland, France, Sweden and Japan. Other countries have taken the further step of ensuring that their financial institutions do not pass into non-resident hands. And yet none of these countries is in quite the same situation as Canada, where the extent of foreign control is much greater and where the bulk of it rests within a single, very powerful and vigorous, though friendly, next-door neighbour.

Let us be realistic about this question. There is a price to be paid for Canadian independence. So far in our strenuous but for the most part successful history, Canadians have been willing to pay that price when the issues were made clear to them. In this case the issue we have been discussing is not easy for most people to comprehend....

POLITICAL AND ECONOMIC INDEPENDENCE

There is no country in the world that can make any pretense of being independent if it does not control its own communications media, its own financial institutions, and, in one way or another, the general nature of the decisions made by those who direct its basic industries. We Canadians must place ourselves in this position if we wish to retain our national identity and a reasonable amount of national independence. In this, to a large extent, we should equate political independence with economic independence. I say this because no nation, including Canada, can pretend to be independent politically if