

would not be regarded as good corporate behaviour for foreign subsidiaries to discriminate against competitive Canadian suppliers.

In fact, of these larger subsidiaries' total expenditures in 1965 (some \$13.5 billion), roughly 40 per cent went to pay Canadian wages and salaries and another 40 per cent to purchases of Canadian goods and services. That amounts to nearly \$11 billion spent in Canada.

In their replies to my letter, nearly every company indicated a wide-spread and purposeful effort toward domestic sourcing. Many companies reported substantial increases in Canadian content in the products they produce. And I was pleased to learn that many of these firms find Canadian suppliers competitive, providing prices and services at a level sufficient to offset the alleged advantages of purchasing from traditional foreign sources of supply.

Greater Domestic Participation

Recognizing the positive contribution of foreign capital to Canada's economic development does not, of course, mean we must not seek greater domestic participation in the expansion of our economy. Canadians will reap a larger share of the proceeds of industrial development to the extent that we participate more fully in the creation and ownership of Canadian industry. The proportion of our new development which we can carry out with Canadian resources is determined first by the rate of growth and secondly by how, and how much, we Canadians choose to devote our resources to industry-building pursuits.

It will not be increased by keeping out foreign capital. On the contrary, it will be diminished. Any reduction of foreign funds into Canadian enterprise would run the risk of slowing-up Canada's development, with all the well-known consequential results. The surest way to achieve greater Canadian ownership is to foster, not impede, our economic development; and then to encourage the use of the proceeds from this growth in expanding our own capital resources and developing new enterprise.

Foreign ownership is part and parcel of the growing trend toward the large multinational corporation. This is a fact of life which, if accepted and used properly, can bring great benefits. Whether or not it is used wisely in the economic programme of the nation depends upon the extent to which the Government defines the rules of the game. In the final analysis, it does not matter very much who owns the capital -- it is the use to which it is put that counts, and this is a field in which the Government can be the determining influence.

One thing is certain, and that is that corporations must become increasingly strong to stand the severe pressures and stresses of domestic and international competition. Rising costs and narrowing profit margins currently put management to the test as never before in determining the proper utilization and balance between labour and capital.