

tracted public attention and exerted considerable influence until the leaders of the party decided it had to be put down because it had become a threat to their positions and an embarrassment to the image of responsibility they had been building. Some of the more extreme members of the Waffle were in effect expelled from the NDP, but the majority were absorbed into the mainstream and civilized. However, to assimilate the Waffle the party leaders had to adopt a measure of its fervent nationalism — or had at least to give a higher platform priority to their own more moderate nationalism. Holding the balance of power in the House of Commons between the elections of 1972 and 1974, the NDP was able to push nationalist issues, and it was in fact largely responsible for the final shape of the Liberal government's legislation establishing the Foreign Investment Review Agency.

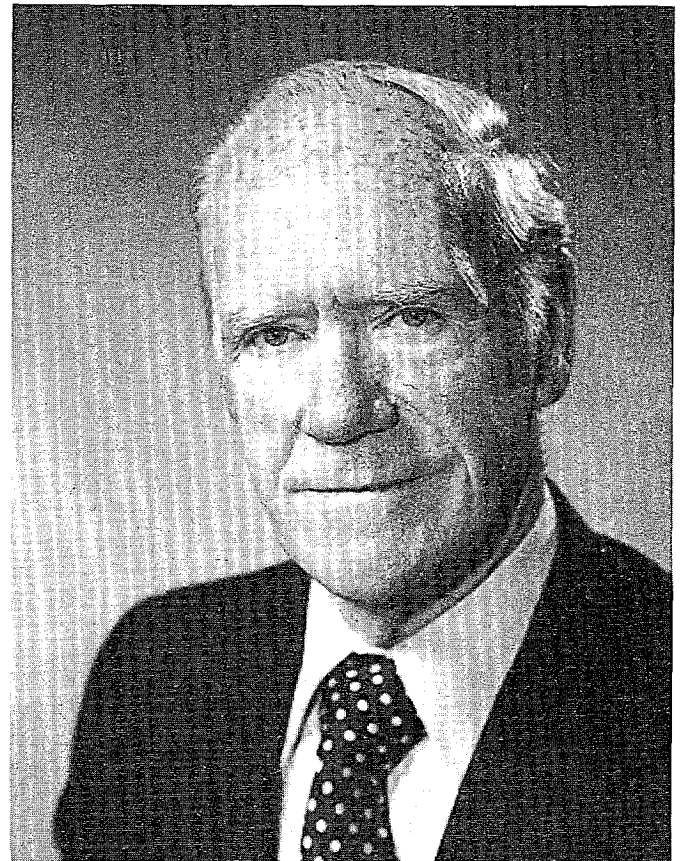
Since those heady days, socialist ideas have lost much of their influence in Canada, as in other democracies. Socialist and social democratic parties have shown themselves to have no convincing answers to the economic problems of the times, and when they have won power and attempted nationalist solutions, as in France, they have discovered that it is impossible to isolate a national economy from the international system. In opposition, they have proved very often to be spokesmen for conservative trade unions whose interest is mainly to preserve the industrial status quo. It is not surprising that in fashionable politics the New Left has given way to the New Right. In Canada, while the NDP has secured its position as one of three major parties, it has ceased to be a persuasive voice for either socialism or nationalism.

### **Economic and cultural nationalists**

The third and most important stream of nationalist opinion in Canada was a loose coalition of, mainly, Liberals and Conservatives organized in the Committee for an Independent Canada and in other groups and lobbies concerned to defend economic and cultural sovereignty. This stream was influential because it had access to the two major parties and to governments, because it represented real property interests, and because it had a body of respectable evidence with which to support its nationalist arguments.

The Royal Commission on Economic Prospects, under the leadership of Walter Gordon, a successful Toronto accountant and public servant, had drawn attention in the 1950s to the rising tide of US investment in Canada and to the problems it might present. As Finance Minister in the Liberal government in 1963, Gordon had proposed measures to control the tide, but the weight of political and business opinion was against him. At his persuasion, however, the Liberal Cabinet later appointed a Task Force on Foreign Ownership and the Structure of Canadian Industry to examine the phenomenon of foreign direct investment which gave foreigners control of significant sectors of the Canadian business economy. The report of the task force published in 1968 saw both the advantages and the problems of such investment which established in Canada subsidiaries of US and other foreign corporations. On the one hand, the foreign, often multinational, corporations brought to Canada new capital, technology, management and the possibility of access to US and other world mar-

kets. On the other hand, the subsidiaries were often "truncated" operations — branchplants performing limited functions under direction from a head office abroad, using technology created by research and development programs in other countries, and allowed to supply only the small Canadian market. In short, the foreign subsidiaries in Canada were intended to perform a minor and low-skill role within an international business operation rather than to develop as dynamic Canadian companies. This analysis was substantially confirmed by a more thorough study in 1972 by the federal Working Group on Foreign Direct



*Hon. Mitchell Sharp*

Investment in Canada under the direction of Herb Gray, then a junior minister in Prime Minister Trudeau's first cabinet.

### **Harnessing foreign investment**

But what to do about the problem? The two federal studies were cautious in their conclusions. They saw dimly that foreign investment in Canada was part of a worldwide change in the organization of production and distribution as major business corporations became multinational rather than national in scope. Canada could not contract out of this process, and so the answer was not simply to bar foreign investment and to buy back from the multinationals their Canadian subsidiaries. But at the same time foreign ownership was creating serious problems for the economy and encroaching on national sovereignty. The answer had