

that is simply the fact that foreign-owned companies, to a greater or lesser degree, may be vulnerable to foreign decision-making, and thus may to some extent force Canadian companies to courses of action which are neither in their own best interests or those of Canada. Vulnerability to foreign influences is, of course, greater in the case of foreign-owned subsidiaries exercising relatively little independence of action. It is possible in such cases for a subsidiary to be relegated to an unnecessarily limited role within the international organization, which could inhibit growth and hinder the proper development of the Canadian operation.

Another point I should like to make at the outset is that, while our main concern is naturally with the economic activities of foreign-owned concerns, we must also be alert to non-economic considerations.

Other cultural and social problems, harder to pinpoint and more difficult to control, naturally arise. Some of these flow from the mere fact of the huge American presence just across our border. But such matters as educational, research and managerial opportunities for Canadians are properly our concern. Foreign-owned companies should, to the greatest practical extent, undertake part of their research programmes in Canada. Similarly, Canadians willing and able to assume positions of responsibility must be able to find these opportunities in Canadian firms -- domestically or foreign-owned. The easy flow of managerial skills back and forth across international borders is healthy in developing the fullest potential of foreign capital. These are general considerations.

### Guiding Principles

Let us now briefly examine some specifics about the activities of foreign-owned subsidiaries in Canada. About a year ago, I set out some principles that should guide the behaviour of foreign-owned companies in Canada and sought information on how well these standards were upheld.

The first step in this programme was the enunciation of "Twelve Guiding Principles of Good Corporate Behaviour in Canada", which were communicated by a letter dated March 31, 1966, to foreign-owned companies in Canada. The principles emphasized primarily the importance to foreign-owned companies of seeking identification with the Canadian community. They stressed the need to play a dynamic role in Canada's development through appropriate attention to export opportunities, the further processing of Canadian materials, the searching out of economic sources of supply in Canada, the development in Canada of research facilities, the retention of sufficient earnings to support growth opportunities and other such objectives.

Replies, which were not mandatory, have been received covering about 2,500 companies. This represents a high proportion of response from the 3,300 companies on the foreign-subsidiary list. Many of those not replying are now dormant, are simply nominees, have been merged with other companies or are of a type which could not contribute to our study. On the whole, the replies have been both constructive and informative. Companies generally seem to have welcomed the enunciation of criteria of good conduct, partly as a norm against which to judge their own practices and also for their usefulness in clarifying the question of the appropriate role of foreign-owned subsidiaries in Canada. A