

In recent years instances of extra-territorial application of United States laws and policies have become more common. A study prepared by Kingman Brewster, Jr., of Yale University for the Canadian-American Committee examines this aspect of the problem rather more fully. I recommend it to you as an original and worthwhile contribution to our knowledge in this field. In particular it examines the impact of United States tax law, anti-trust law, foreign-assets control and the Trading with the Enemy Act, in terms of their impact on the behaviour of United States controlled corporations in Canada. It points out features of United States laws which favour branch as against subsidiary operations, militate against the offer of minority partnership and deter the full development of exports and production in certain directions. It implies that, in strict economic terms, the adverse impact has been marginal, although it recognizes the possibility of rather more severe impact in some circumstances. Of special interest is his finding that the real concern is political rather than economic - a sense of loss of sovereignty by virtue of the extraterritorial application of United States laws.

We shall have more to say about the political implications later. It should perhaps be noted here that in this whole field of corporate decision-making, of which foreign laws and regulations are only one element, it is the fact of foreign control rather than the way in which control is exercised that has led to much of the worries and concern.

Mention should be made here of a recent development in United States government policy which is perhaps more important in terms of potential adverse economic effects. I refer to the recent efforts of the United States Government to deal with its balance-of-payments difficulties through moral suasion and informal directives to American corporations with financial and trade connections abroad. These directives and urgings have, with more or less precision, excluded Canada from their application. But given the informal nature of the policy, there would appear to be scope for varied interpretation of how Canada is to be treated and how individual enterprises will respond. The policy is much too recent to attempt an appraisal of its impact on Canada. What is significant, however, is that, by virtue of the extensive participation by U.S. controlled enterprise in Canada, the potential for conflict between the national interests of the two countries is particularly great. The fact of foreign control could produce an embarrassing degree of ambivalence if United States policy and Canadian policy in the matter of balance of payments were to pull in opposite directions.

Enough has now been said - however cursory and incomplete - to warrant an opinion as to the overall economic effects of foreign enterprise in Canada.

There can be no question but that Canada has derived tremendous economic benefits from foreign direct investment. The search for profits through the operations of direct-investment companies had led to advantages for Canada which permeate every aspect of its development, including the rate of economic growth, standards of living and industrial diversification. Without these enterprises, much of the investment in Canadian industry would have taken place much more slowly and at a higher cost, if at all. Through the operations of