term and the relative cost and availability of funds in the two countries. In addition, the United States foreign direct investment guidelines which were designed to restrict the outflow of funds from the United States for direct investment may have been another factor. While these guidelines were specifically not intended to affect normal financial transactions with Canada, they may have influenced companies to rely on Canadian sources of funds where this was possible.

In 1965, most of the financing done in the United States was through transactions with parents and affiliated companies...In 1967, the larger users of external funds drew largely upon Canadian sources of financing".

3.04 *Methods Adopted in the Past to Protect Against Undue Economic Dependency* In Canada, the problems of economic dependency and foreign ownership are not new, and during its history Canada has developed varied means of handling them. Early in Canadian history it was realized that the existence of a more industrially advanced United States posed certain dangers to the nation's economic independence which required governmental assistance and intervention. From the time of Sir John A. Macdonald's "National Policy" to the recently announced uranium mining regulations, a succession of Canadian Governments have taken a variety of measures, most often pragmatic and "ad hoc" in character, to promote Canadian cohesion, protect Canadian interests and to avoid undue dependency upon the United States.

Measures which have had the effect of protecting Canadian independence include: (a) public ownership or investment in enterprises considered vital to the nation; examples include the Bank of Canada, and Industrial Development Bank, Canadian National Railways, Air Canada, Canadian Broadcasting Corporation, Telesat, Panarctic Oils, Polymer Corporation, Eldorado Mining and Refining, Northern Transportation, Canadian Overseas Telecommunications, Atomic Energy of Canada and a number of other Crown corporations; (b) the establishment of public regulatory authorities with power to regulate rates and operations of industries vital to national development, such as The Canadian Transport Commission, The National Energy Board and The Canadian Radio-Television Commission; (c) specific statutory provisions restricting the degree of foreign ownership in key sectors of the economy and requiring officials to be Canadian citizens or residents, for example, statutory regulations relating to banks, federal insurance, trust and loan companies and radio and television broadcasting companies; (d) Income tax incentives designed to encourage a degree of Canadian participation such as the Income Tax Regulations giving preferential treatment to companies in which there is at least 25% Canadian ownership and; (e) tariff and the tax protection designed to encourage Canadian production and to prevent domination of the Canadian market by foreign imports.

3.05 *The "Key Sector" Approach* Among the significant techniques used by the Federal Government to guard Canadian interests and to avoid undue dependency upon the United States is the "key sector" approach i.e. strong protection in vital areas of the economy, namely financial institutions, transportation, energy and communications. In determining the type of action to be taken in the future, it is most important to assess how effective these techniques have proved to be in the areas where they have been applied.

The Research Branch of the Library of Parliament prepared for the committee a detailed memorandum summarizing the laws and regulations limiting foreign influence in these key sectors. This memorandum has been filed as an exhibit (see the Committee's minutes of proceedings dated June 19, 1970,) and accordingly a brief summary only is given in this Report.