

Time of Release - 12.00 p.m. EST
Monday, April 17th, 1967.

KEEPING CANADA CANADIAN

SOME REMARKS TO BE MADE BY THE
HONOURABLE GEORGE HEES

TO

THE CANADIAN CLUB

AT

THE ROYAL YORK HOTEL, TORONTO, ONTARIO

ON

MONDAY, APRIL 17th, 1967
12.00 noon

KEEPING CANADA CANADIAN

AS WE ALL KNOW, THERE HAS BEEN A GREAT DEAL OF DISCUSSION DURING THE PAST FEW MONTHS ABOUT THE BEST MEANS OF KEEPING CANADA FROM BEING DOMINATED BY THE ECONOMY OF THE UNITED STATES. I THINK WE ARE ALL IN AGREEMENT THAT THIS COUNTRY MUST ALWAYS BE IN A POSITION TO CONTROL ITS ECONOMIC AFFAIRS, BUT THERE IS CONSIDERABLE DISAGREEMENT ABOUT THE BEST MEANS OF ENSURING THAT THIS IS DONE. I SUGGEST THAT WE TAKE A LOOK AT SOME OF THE ALTERNATIVES.

ONE OF THE PRINCIPAL OBJECTIVES OF THE PROPOSED CANADA DEVELOPMENT CORPORATION IS TO BUY UP CANADIAN COMPANIES WHICH ARE FOR SALE AND APPEAR LIKELY TO BE TAKEN OVER BY FOREIGN INTERESTS. NOW THERE CAN BE NO DOUBT THAT KEEPING CANADIAN COMPANIES IN CANADIAN HANDS IS A VERY DESIRABLE OBJECTIVE. HOWEVER, IF, IN ORDER TO DO SO, IT IS NECESSARY TO DIVERT CAPITAL WHICH WOULD OTHERWISE BE USED TO PROMOTE NEW CANADIAN ENTERPRISES, WE SHOULD GIVE THE MATTER CAREFUL CONSIDERATION BEFORE DECIDING TO EMPLOY OUR MUCH NEEDED CAPITAL IN THAT WAY.

BY USING CAPITAL TO BUY A PLANT WHICH WOULD OTHERWISE CONTINUE OPERATIONS UNDER FOREIGN OWNERSHIP, WE WOULD NOT PROVIDE ONE ADDITIONAL JOB, OR ONE ADDITIONAL DOLLAR OF TAX REVENUE. THE ONLY JUSTIFICATION FOR DOING SO WOULD BE IF THE

OPERATION OF SUCH A COMPANY UNDER FOREIGN OWNERSHIP WOULD BE DETRIMENTAL TO THE INDUSTRY OR SOVREIGNTY OF THIS COUNTRY. NOW, WHAT HAS BEEN OUR EXPERIENCE IN THIS REGARD ?

WHEN I WAS IN TRANSPORT AND TRADE AND COMMERCE, I DEALT WITH THOSE WHO DIRECT THE OPERATIONS OF THE COMPANIES WHICH ARE INCORPORATED IN CANADA AND ARE OWNED IN OTHER COUNTRIES. I FOUND THAT THEIR POLICIES WERE AIMED AT CONDUCTING THEIR AFFAIRS AS GOOD CORPORATE CITIZENS SHOULD. I ALWAYS FOUND THEM TO BE REASONABLE, AND WILLING TO ACCEPT REASONABLE SUGGESTIONS IN KEEPING WITH THE ECONOMIC WELFARE OF THE COUNTRY. AT NO TIME DID I EVER HAVE REASON TO BELIEVE THAT ANY ONE OF THEM OPERATED IN A MANNER WHICH WAS NOT IN THE BEST INTERESTS OF CANADIAN INDUSTRY AND CANADIAN SOVEREIGNTY.

A GOOD EXAMPLE OF THE CO-OPERATION WHICH THE CANADIAN GOVERNMENT RECEIVES FROM THE HEADS OF CANADIAN CORPORATIONS OWNED AND CONTROLLED OUTSIDE OF CANADA, WAS GIVEN AT THE TIME WHEN THE NATIONAL OIL POLICY WAS IN PREPARATION, IN LATE 1960. IN ORDER FOR THAT POLICY TO BE A SUCCESS, IT WAS NECESSARY TO HAVE THE COMPLETE CO-OPERATION OF OUR MAJOR OIL AND GAS COMPANIES, THE GREAT MAJORITY OF WHICH ARE OWNED AND CONTROLLED OUTSIDE OF CANADA. I AM GLAD TO SAY THAT I RECEIVED 100% CO-OPERATION FROM THE HEADS OF ALL OF THESE COMPANIES,

AND I CONTINUED TO RECEIVE IT AT ALL TIMES WHEN I WAS A MEMBER OF THE GOVERNMENT. I KNOW THAT THE TWO MINISTERS WHO HAVE FOLLOWED ME HAVE RECEIVED THE SAME KIND OF CO-OPERATION EVER SINCE.

IT SEEMS TO ME THAT A FAR MORE PRACTICAL METHOD OF KEEPING CANADIAN COMPANIES FROM BEING SOLD TO FOREIGN INTERESTS WOULD BE TO CHANGE OUR TAX LAWS SO THAT IT WILL NOT BE NECESSARY FOR THE OWNERS TO SELL THEM. A GREAT MANY OF THE COMPANIES SOLD IN THIS WAY ARE FAMILY-OWNED COMPANIES WHICH HAVE TO BE SOLD WHEN THE PRINCIPAL SHAREHOLDER DIES AND THE ONLY MEANS OF PAYING THE INHERITANCE TAXES IS TO SELL THE COMPANY. VERY OFTEN FOREIGN INTERESTS MAKE THE BEST OFFER, AND FREQUENTLY, THE ONLY OFFER.

IF WE MODIFY OUR SUCCESSION DUTY LAWS SO THAT THESE TAXES CAN BE PAID OVER A SUFFICIENTLY LONG PERIOD OF TIME, IT WILL NOT BE NECESSARY FOR THESE COMPANIES TO BE SOLD, AND THE PROBLEM OF LOSING CANADIAN OWNERSHIP WILL NOT ARISE. SUCH A CHANGE IN OUR SUCCESSION DUTY LAWS WILL NOT COST THE CANADIAN TAXPAYER ONE PENNY, BECAUSE THE FULL TAX WILL BE PAID, BUT IT WILL BE SPREAD OVER A MORE REASONABLE PERIOD OF TIME.

NOW LET US TAKE A LOOK AT WHETHER OR NOT WE SHOULD WELCOME FOREIGN CAPITAL -- IS IT NECESSARY, AND DOES IT ENDANGER OUR NATIONAL SOVREIGNTY ?

AS WE ALL KNOW, WE HAVE ALWAYS MADE UP THE DIFFERENCE BETWEEN WHAT WE ARE WILLING TO PUT UP OURSELVES, AND WHAT WE NEED, BY EMPLOYING CAPITAL WHICH COMES FROM OTHER COUNTRIES. BECAUSE OUR SOURCES OF CAPITAL COMPARED TO OUR NEEDS ARE LIMITED, THE GAP WHICH WE MUST FILL FROM OUTSIDE SOURCES IS A CONSIDERABLE ONE, AND WILL REMAIN SO UNTIL OUR ECONOMY GROWS TO A SIZE WHICH IS CAPABLE OF GENERATING OUR OWN REQUIREMENTS.

HOWEVER, WE CAN INVEST CONSIDERABLY MORE OF OUR SAVINGS IN DEVELOPMENT PROJECTS THAN WE DO TODAY, AND IT IS OBVIOUSLY TO OUR ADVANTAGE TO DO SO. IT IS THE ONLY WAY THAT WE CAN OWN AND CONTROL MORE OF OUR INDUSTRIAL DEVELOPMENT, BECAUSE IT IS OBVIOUS THAT WE WILL OWN AND CONTROL ONLY THAT PERCENTAGE OF OUR ECONOMIC GROWTH THAT WE ARE WILLING TO BACK WITH OUR DOLLARS.

TO GIVE YOU MERELY TWO EXAMPLES OF OUR TIMIDITY IN INVESTING OUR SAVINGS, EACH YEAR WE DEPOSIT MORE THAN FIVE HUNDRED MILLION DOLLARS IN NEW SAVINGS ACCOUNTS, AND ANOTHER HALF BILLION IN NEW CANADA SAVINGS BONDS. THESE ARE BOTH GOOD TYPES OF INVESTMENT FOR SOME OF OUR SAVINGS EACH YEAR, BUT I BELIEVE IT IS IN OUR OWN BEST INTEREST TO INVEST A LARGE PROPORTION OF THAT BILLION DOLLARS IN THE DEVELOPMENT OF OUR COUNTRY. PEOPLE LIVING IN OTHER COUNTRIES SEEM TO HAVE FAR MORE CONFIDENCE IN THE FUTURE OF OUR ECONOMY THAN WE DO, AND THAT IS WHY THEY OWN AND CONTROL SUCH A LARGE PROPORTION OF IT.

NOW, WHAT CAN BE DONE TO PERSUADE CANADIANS TO INVEST MORE OF THEIR SAVINGS IN THE DEVELOPMENT OF THEIR COUNTRY? I BELIEVE THAT THERE ARE FOUR THINGS THAT WE CAN DO.

FIRST OF ALL, WE MUST REALIZE THAT THE AVERAGE PERSON WILL CHANGE HIS INVESTMENT HABITS ONLY IF HE CAN BE SHOWN THAT IT IS TO HIS ADVANTAGE TO DO SO. WE MUST DEMONSTRATE TO HIM THAT HE CAN BUILD UP HIS OWN NEST-EGG MUCH MORE QUICKLY BY INVESTING IN HIS COUNTRY'S DEVELOPMENT THAN BY LEAVING HIS MONEY IN A SAVINGS ACCOUNT OR IN SAVINGS BONDS.

WHEN I WAS AT THE MONTREAL STOCK EXCHANGE, WE DID A STUDY TO FIND OUT HOW A MAN MAKES OUT IF HE INVESTS HIS MONEY IN:-

- (A) A SAVINGS ACCOUNT,
- (B) CANADA SAVINGS BONDS,
- (C) THE SHARES OF INDUSTRIAL COMPANIES,

AND WE EXAMINED THE ACTUAL RESULTS OF INVESTMENTS MADE IN THESE THREE WAYS DURING THE LATEST FIVE YEAR PERIOD. TO FIND OUT HOW THE MAN WHO INVESTED IN INDUSTRIAL STOCKS MADE OUT, WE TOOK THE AVERAGE PERFORMANCE OF ALL INDUSTRIAL COMPANIES LISTED ON THE MONTREAL STOCK EXCHANGE DURING THE LATEST FIVE YEAR PERIOD.

THE RESULTS OF THIS STUDY SHOWED THAT THE MONEY INVESTED DURING THOSE FIVE YEARS IN:-

- (A) A SAVINGS ACCOUNT, INCREASED BY 19%;
- (B) CANADA SAVINGS BONDS, INCREASED BY 27%; AND
- (C) SHARES REPRESENTING THE AVERAGE PERFORMANCE OF ALL INDUSTRIAL COMPANIES LISTED ON THE EXCHANGE, BY MORE THAN 100%.

THIS DEMONSTRATES VERY CLEARLY THAT TO INVEST IN OUR COUNTRY'S DEVELOPMENT NOT ONLY HELPS US TO OWN AND CONTROL MORE OF THAT DEVELOPMENT, BUT ALSO ENABLES US TO BUILD UP OUR OWN PERSONAL NEST-EGGS MUCH MORE RAPIDLY THAN IS POSSIBLE IN EITHER OF THE OTHER TWO FORMS OF INVESTMENT.

I BELIEVE THAT ALL OF THOSE WHO HOLD SENIOR POSITIONS IN OUR FINANCIAL AND BUSINESS COMMUNITY SHOULD MAKE THIS KIND OF INFORMATION KNOWN TO THE CANADIAN PUBLIC. IT IS ONLY IN THIS WAY THAT THE PUBLIC MAY BECOME AWARE OF THESE FACTS, AND ADJUST THEIR FUTURE INVESTMENT HABITS SO AS TO BENEFIT, NOT ONLY THEIR COUNTRY, BUT ALSO THEMSELVES, BY BACKING THEIR COUNTRY'S DEVELOPMENT WITH THEIR DOLLARS.

THE SECOND THING WE CAN DO TO MAKE INVESTMENT IN INDUSTRIAL DEVELOPMENT MORE ATTRACTIVE IS TO INCREASE THE PRESENT 20% OF STOCK DIVIDENDS WHICH IS DEDUCTIBLE FOR INCOME TAX PURPOSES, TO 40%. THIS WILL INDUCE A GREATLY INCREASED FLOW OF SAVINGS INTO THE DEVELOPMENT STREAM. THE IMMEDIATE TAX LOSS TO THE FEDERAL GOVERNMENT WILL BE MADE UP MANY TIMES OVER IN THE FUTURE IN THE FORM OF:-

(A) MORE PEOPLE BEING EMPLOYED AND PAYING INCOME TAX, AND

(B) MORE INDUSTRIAL ACTIVITY, WHICH WILL YIELD MORE CORPORATION INCOME TAX TO THE GOVERNMENT.

THE THIRD THING WE CAN DO IS TO ALLOW CANADIAN COMPANIES AND INDIVIDUALS TO WRITE-OFF, AGAINST OTHER INCOME, ANY LOSSES INCURRED WHEN INVESTMENT IS MADE IN NEW ENTERPRISES. THIS WILL ENCOURAGE MANY COMPANIES AND INDIVIDUALS TO BACK PROJECTED NEW INDUSTRIAL DEVELOPMENTS, WITH THE OBVIOUS BENEFITS TO OUR OBJECTIVE OF OWNING AND CONTROLLING MORE OF OUR ECONOMIC DEVELOPMENT.

THE FOURTH STEP WE CAN TAKE IS TO CREATE MORE CONFIDENCE IN THE MINDS OF THE INVESTING PUBLIC REGARDING THE OPERATION OF OUR STOCK EXCHANGES.

AS WE ALL KNOW, SOME TIME AGO THE GOVERNMENT OF THE UNITED STATES WAS FACED WITH THE SAME PROBLEM, AND ESTABLISHED THE U.S. SECURITIES AND EXCHANGE COMMISSION TO GIVE GREATER SUPERVISION TO THE OPERATIONS OF ALL COMPANIES LISTED ON THEIR VARIOUS STOCK EXCHANGES, AND THE CONDUCT OF THE STOCK BROKERS. THE RESULT WAS A FAR MORE FREQUENT AND FULLER DISCLOSURE OF THE OPERATIONS OF THE COMPANIES CONCERNED, AND THE ELIMINATION OF INSIDER TRADING AND OTHER ABUSES WHICH HAD GREATLY REDUCED THE CONFIDENCE OF THE INVESTING PUBLIC.

I THINK WE WILL ALL AGREE THAT THE GOVERNMENT OF ONTARIO MADE IMPORTANT STRIDES IN THIS DIRECTION DURING THE LAST SESSION OF THE LEGISLATURE, AND I BELIEVE THAT THE REGULATIONS THEY WORKED OUT WOULD BE A GOOD BASE FOR DISCUSSIONS WITH THE PROVINCES REGARDING THE CREATION OF A CANADIAN S. E. C. FROM CONVERSATIONS I HAVE HAD, I KNOW IT WOULD BE ACCEPTABLE TO THE OTHER PROVINCES WHICH HAVE STOCK EXCHANGES.

AND NOW, HAVING DISCUSSED WHAT WE SHOULD DO TO PERSUADE OUR FELLOW CANADIANS TO BACK MORE OF OUR DEVELOPMENT WITH THEIR DOLLARS, LET'S HAVE A LOOK AT WHAT WE SHOULD DO TO MAKE SURE THAT FOREIGN CAPITAL WHICH COMES TO THIS COUNTRY WILL OPERATE IN A COMPLETELY SATISFACTORY MANNER; CONTRIBUTE IN THE GREATEST POSSIBLE WAY TO OUR ECONOMIC WELL-BEING; AND IN NO WAY TRY TO DOMINATE OUR ECONOMY OR REDUCE OUR CONTROL OF OUR OWN AFFAIRS.

WE MUST MAKE IT VERY CLEAR TO THOSE WITH CAPITAL TO EXPORT, THAT FOREIGN CAPITAL OPERATING IN THIS COUNTRY WILL BE TREATED IN EXACTLY THE SAME MANNER AS CANADIAN CAPITAL; THAT IT WILL RECEIVE THE SAME ADVANTAGES; AND BE SUBJECT TO THE SAME OBLIGATIONS. WE MUST ALSO MAKE IT EQUALLY CLEAR TO THE GOVERNMENTS OF THE COUNTRIES FROM WHICH THIS CAPITAL COMES THAT WE WILL NOT TOLERATE ANY ATTEMPT BY THEM TO DICTATE OR INFLUENCE IN ANY WAY THE COURSE OF OUR ECONOMIC DIRECTION OR OPERATION.

IF WE WILL LET THE OWNERS OF FOREIGN CAPITAL KNOW THAT IT WILL BE TREATED IN EXACTLY THE SAME MANNER AS CANADIAN CAPITAL, WE WILL CONTINUE TO RECEIVE THE CAPITAL WE NEED TO MAKE UP THE DIFFERENCE BETWEEN WHAT WE ARE WILLING TO PUT UP OURSELVES AND WHAT WE NEED EACH YEAR TO CARRY OUT THE ECONOMIC EXPANSION WHICH OUR RAW MATERIALS AND SOURCES OF POWER MAKE POSSIBLE.

IF WE DO NOT MAKE CLEAR THAT FOREIGN CAPITAL WILL BE ALLOWED TO OPERATE IN A COMPLETELY FAIR AND REASONABLE MANNER IN THIS COUNTRY, AND THAT THERE WILL BE NO RETURN TO THE KIND OF POLICIES CONTAINED IN MR. GORDON'S BUDGET OF 1963, (POLICIES WHICH ARE AGAIN BECOMING POPULAR WITH THE GOVERNMENT), FOREIGN CAPITAL WILL GO TO OTHER COUNTRIES TO FIND EMPLOYMENT. IF THAT HAPPENS, THOSE OTHER COUNTRIES WILL RECEIVE THE FACTORIES AND OTHER FACILITIES WHICH THE EMPLOYMENT OF THAT CAPITAL WOULD MAKE POSSIBLE HERE, AND THEY WILL ENJOY THE INCREASE IN EMPLOYMENT AND PROSPERITY WHICH WOULD OTHERWISE BE OURS.

IF WE MAKE IT CLEAR TO THE GOVERNMENTS OF COUNTRIES WHICH EXPORT CAPITAL THAT WE WILL NOT TOLERATE ANY ATTEMPT AT INTERFERENCE WITH OUR ECONOMIC AFFAIRS, WE WILL NOT HAVE RECURRENCES OF UNFORTUNATE INSTANCES SUCH AS THE ATTEMPTED IMPOSITION OF GUIDELINES FOR THE OPERATION OF AMERICAN SUBSIDIARIES IN CANADA WHICH WE EXPERIENCED A YEAR AGO, AND THE MERCANTILE BANK AFFAIR. A WEAK AND UNCERTAIN ATTITUDE

TOWARD OUR AMERICAN NEIGHBOUR ENCOURAGES SUCH ATTEMPTS TO DOMINATE OUR ECONOMIC AFFAIRS. A STRONG AND FIRM ATTITUDE ON OUR PART WILL MAKE THE RECURRENCE OF SUCH INCIDENTS EXTREMELY UNLIKELY IN THE FUTURE. WE ARE BY FAR THE LARGEST CUSTOMER OF THE UNITED STATES, AND THEY CANNOT AFFORD TO TAMPER WITH OUR GOOD-WILL.

I AM CONVINCED THAT IF WE WILL ADOPT A SENSIBLE, BUSINESSLIKE, AND NOT A POLITICAL, ATTITUDE TOWARD THE QUESTION OF FOREIGN CAPITAL OPERATING IN THIS COUNTRY, WE WILL BE ABLE TO ATTRACT THE FOREIGN CAPITAL WE NEED TO CARRY FORWARD AND EXPAND OUR INDUSTRIAL EXPANSION, AND WE WILL BE ABLE TO RETAIN CONTROL OF OUR ECONOMIC PROGRESS, AND REMAIN A COMPLETELY SOVEREIGN NATION. IT IS A COURSE I STRONGLY RECOMMEND TO THOSE RESPONSIBLE FOR THE CONDUCT OF OUR ECONOMIC AND NATIONAL AFFAIRS.