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Letter from the Hon. Robert H. Winters
to subsidiaries in Canada of foreign
companies, tabled in the House of Commons
on March 31, 1966. Ottawa, 1966.



Canada Dept. of

MINISTER OF TRADE AND COMMERCE]

LE MINISTRE DU COMMERCE

CANADA

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OTTAWA 4 March 31, 1966

LETTER FROM THE HONOURABLE ROBERT H. WINTERS
TO SUBSIDIARIES IN CANADA OF FOREIGN COMPANIES
TABLED IN THE HOUSE OF COMMONS ON MARCH 31, 1966.

The Government has been giving a good deal of attention to the need for the best possible performance from the Canadian economy and to the contribution in this regard of the many Canadian companies which are subsidiaries of foreign parents or are largely foreign-owned. Such companies have responsibilities both to their parent companies and to the country in which they operate.

I have concluded that a statement of what is expected of subsidiary companies as regards their responsibilities to the Canadian community would be of benefit to all concerned.

To fulfil its responsibilities as a good citizen, a company seeks to perfect its performance through the vigorous pursuit of available market opportunities and the efficient use of its resources and, in so doing, contributes to the sound development of the community in which it operates.

In the pursuit of this end, subsidiaries of foreign companies enjoy the backing of their parent companies through the provision of financial, managerial, technological and research assistance, along with other forms of support which might not otherwise be available. At the same time, the fact of foreign control leaves the subsidiaries open to external influences which may not always be consistent with their own best interests and those of the Canadian community at large. Such a company may lack the decision-making authority to pursue policies in line with the opportunities afforded within the growing national community and otherwise to develop the full potential of the Canadian operation.

Subsidiaries of foreign companies occupy a prominent position in the Canadian economy. They have contributed greatly to Canada's development in the past and their role in the future is no less challenging. In a more interdependent world, companies with foreign affiliates have an increasingly important role in the international exchange of goods, services, technology and ideas.

The Canadian Government is desirous that subsidiaries be free to develop their full potential within the Canadian community. In this regard it is most important that subsidiaries should not have restrictive limitations placed upon their sound development by their parent organizations.

This objective can be made more difficult if foreign Governments introduce measures which affect the financial or commercial policy of parent companies or seek to influence them in their relations with their foreign subsidiaries.

In the case of the United States balance of payments programme, the authorities in that country have made quite clear, as indicated in the communique of the recent meeting of the Joint United States-Canadian Committee on Trade and Economic Affairs, that the "United States Government was not requesting United States corporations to induce their Canadian subsidiaries to act in any ways that differed from their normal business practices as regards the repatriation of earnings, purchasing and sales policies, or their other financial and commercial activities". The United States authorities have, in fact, re-emphasized the view that "United States subsidiaries abroad should behave as good citizens of the country where they are located".

I am confident that this also would be the view of the Governments of other countries whose companies have subsidiaries in Canada.

I believe it timely and useful therefore to set forth, particularly for the benefit of subsidiary companies, some basic principles of good corporate citizenship in Canada. I trust that these principles will be regarded as helpful by your company.

SOME GUIDING PRINCIPLES OF GOOD CORPORATE BEHAVIOUR FOR SUBSIDIARIES IN CANADA OF FOREIGN COMPANIES

Desirable objectives include the following:-

- 1) Pursuit of sound growth and full realization of the company's productive potential thereby sharing the national objective of full and effective use of the nation's resources.

- 2) Realization of maximum competitiveness through the most effective use of the company's own resources, recognizing the desirability of progressively achieving appropriate specialization of productive operations within the internationally affiliated group of companies.
- 3) Maximum development of market opportunities in other countries as well as in Canada.
- 4) Where applicable, to extend processing of natural resource products to the extent practicable on an economic basis.
- 5) Pursuit of a pricing policy designed to assure a fair and reasonable return to the company and to Canada for all goods and services sold abroad, including sales to the parent company and other foreign affiliates.
- 6) In matters of procurement, to search out and develop economic sources of supply in Canada.
- 7) To develop as an integral part of the Canadian operation wherever practicable, the technological, research and design capability necessary to enable the company to pursue appropriate product development programmes so as to take full advantage of market opportunities domestically and abroad.
- 8) Retention of a sufficient share of earnings to give appropriate financial support to the growth requirements of the Canadian operation, having in mind a fair return to shareholders on capital invested.
- 9) To work toward a Canadian outlook within management, through purposeful training programmes, promotion of qualified Canadian personnel and inclusion of a major proportion of Canadian citizens on its Board of Directors.
- 10) To have the objective of a financial structure which provides opportunity for equity participation in the Canadian enterprise by the Canadian public.
- 11) Periodically to publish information on the financial position and operations of the company.
- 12) To give appropriate attention and support to recognized national objectives and established Government programmes designed to further Canada's economic development and to encourage and support Canadian institutions directed toward the intellectual, social and cultural advancement of the community.

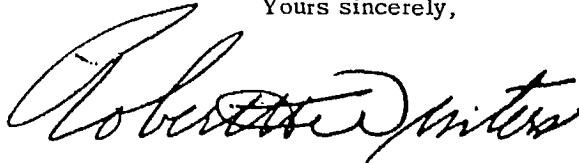
In setting forth the foregoing principles of good corporate behaviour, I recognize that there is already widespread adherence to such principles among subsidiary companies in Canada both in spirit and in deed. However, to the extent that these principles are not already applied, subsidiary companies are urged to work purposefully and constructively toward their application, as circumstances permit.

I would like also to tell you of my intention to seek the co-operation of large and medium sized subsidiary companies in providing periodically information, on a confidential basis, relating to certain aspects of their operations and financing. In this way the Government will gain a clearer insight into the contribution of Canadian subsidiaries to the Canadian economy.

Questionnaire forms providing a full explanation of the information being sought will be circulated within the next few weeks. I hope that prompt and careful attention will be given this request for information.

Thank you for your co-operation.

Yours sincerely,

A handwritten signature in cursive script, reading "Robert H. Winters". The signature is written in dark ink and is centered on the page.

Robert H. Winters.

