Professor Safarian also pointed out that larger American owned firms can afford to take a longer view of markets and returns available from production and they can afford to wait which means they can develop and exploit opportunities which would not otherwise be exploited.

However, certain corresponding disadvantages were involved. Such firms might also delay exploiting resources after they had been proved, particularly in the case of multi-national corporations having alternative sources of supply abroad. Moreover it may take longer to correct mistakes of over-investment or inefficient investment by firms which have as much staying power as some of the larger foreign-owned firms.

Other disadvantages are equally clear. Foreign owners invest in Canada for profit and large foreign and American ownership of Canadian industries imply large profits and dividends to the foreign and American owners and large payments for business services such as management fees, royalties, franchise fees, professional fees, insurance etc.

Some witnesses have distinguished between debt and equity investments. The suggestion has been made that equity investment, involving as it does the indefinite loss of control, was a disadvantage: by substituting debt investment, Canada might obtain the foreign capital needed for development without loss of control. As other witnesses pointed out however, debt investment brings capital with fixed terms for repayment and servicing. These may prove onerous if the business is not as successful as anticipated particularly in the early years of development. In addition equity capital may bring with it technology and skill and the markets required for rapid development of the Canadian economy. Moreover, the sources of the two types of capital are not usually the same—equity capital comes largely from American corporations while bond financing comes from American institutional investors. The two types of financing will not necessarily supplant one another, and it would seem that both types of foreign investment have certain advantages and disadvantages.

A study by the Guidelines Branch of the Department of Industry, Trade and Commerce (entitled *Foreign Owned Subsidiaries in Canada 1964-1967*) also indicated that American owned companies have a tendency to favour purchases from their affiliates particularly from affiliates and parent companies in the United States, thus increasing the adverse balance of commodity trade with the United States.

The evidence presented to the Committee indicated that American investments in Canada combined with the extraterritorial application of American anti-trust laws (referred to in section 3.19 below) and undersirable Canadian tariff policies have resulted in a very undesirable fragmentation of the relatively small Canadian domestic market for manufactured products. In evidence to the Committee Dr. John Deutsch in making a plea for positive Canadian policies, commented and the policy of tariff protection in Canada had had undersirable effects in that it had encouraged the establishment in Canada of large numbers of subsidiaries of United States companies which entered Canada solely in order to take advantage of the protected Canadian market and to obtain a favoured position in the Commonwealth market behind the tariff wall.