corporations, the thing one hears most often is: just tell us the ground rules and we will observe them; do not keep us hanging in an ambiguous situation; decide what your objectives are; what you want to do; we will be very pleased to observe those rules."

3.11 *The Takeover of Canadian Companies* In recent years there has been increasing concern in Canada about the number of Canadian companies which are taken over by American owners by the purchase of shares or assets or as a result of mergers. Such takeovers represent one method whereby American owners make an investment in Canada. From the Canadian point of view this type of foreign investment may have certain disadvantages. Such takeovers result not only in an increase in the number of American firms in Canada but also in the decrease in the number of Canadian firms. When for example, foreign capital technological know-how and management combine to develop a Canadian resource or a new industry, the foreign investors make a major contribution to Canadian development from which we all benefit. The foreign investor may be undertaking a project which never would be undertaken by Canadians alone because the level of Canadian technology, management and entrepreneurial skills are inferior to foreign capabilities and because the foreign investors can provide captive or better markets for the products of the enterprise. These advantages do not exist where a successful existing Canadian company is taken over by foreign owners.

Nevertheless it is also clear that there may be circumstances in which the takeover of Canadian companies by American investors would be in the interests of the Canadian economy. Where for want of a domestic buyer, a firm would otherwise go out of business, would it not be wiser to allow a foreign firm to come in? The foreign firm, in taking over could inject into the economically stagnating Canadian firm new financing, new technology and perhaps access to an export market. The same United States firm, if prohibited from a "take-over" might, by setting up a new firm in Canada, drive the Canadian firm out of business. The whole question needs considerable research and close scrutiny to judge the merits of each case. Other countries such as France, the United Kingdom and Japan have formal screening procedures which the foreign investor must consult before undertaking direct investment. (For a summary of these procedures see Sections 3.21-3.23 below).

The Committee is conscious that last-minute measures concerning "takeovers" such as occurred recently in the uranium industry create an uncertain investment attitude which may prove inhibiting to necessary capital developments. For this reason it favours a clear statement of government policy on foreign ownership and an effective screening agency which will reveal the basic attitudes and let investors know where they stand.

3.12 *Gap in Canadian Capital Markets* Repeatedly, in evidence given before the Committee it was emphasized that there is a vital gap in Canadian financial institutions in that there are very few Canadian financial institutions which are prepared to play the role played by the merchant bankers in Europe and America. The basic role of the merchant bankers is to assist in raising capital