

3.03 *Trend of Foreign Investment and Ownership in Canada* Clearly the ownership of 19% of Canadian corporate assets by American-controlled corporations with their activities concentrated in the key resource and manufacturing industries is of vital concern to Canada. In trying to determine what, if any, action should be taken by the Canadian government, it is of great importance to know not only in what industries American domination is concentrated, but whether the degree of American domination is increasing or decreasing. If American control of a particular industry is decreasing, the Canadian government might have greater hesitation in devoting scarce capital funds to reduce it still further by special methods. The decision might be different if the extent of American control appeared to be increasing.

Unfortunately, it is only recently since the passing of the Corporations and Labour Unions Returns Act that statistics have been available. The time period has been too short to determine with any accuracy whether the degree of foreign domination is increasing or decreasing significantly. An attempt has been made in the Table obtained from the Dominion Statistician (which appears in Section 3.02 above) to obtain some indication of the trend which is so important for policy decisions.

It must be emphasized therefore, that it is of urgent importance that all available information on this question be coordinated at an early date: if existing statutes do not make adequate provision for the obtaining of all information necessary to determine the extent and trend of foreign domination of Canadian industry and union activity, these statutes should be promptly amended so that the necessary information can be obtained to guide the government in its policy decisions.

While the difficulty of detecting the trend because of lack of information is recognized, it has been argued by some that the recent balance of payment difficulties experienced by the United States make it entirely clear that in the future the rate of capital investment from the United States is bound to decrease: accordingly, instead of taking steps to limit American investment in Canada, we should be thinking in terms of encouraging continued inflow of American capital to Canada. Without expressing at this point any opinion with regard to this argument, it should be noted that even if the inflow of American capital were reduced, the growth of American dominated operations in Canada would continue. The publication "Foreign Owned Subsidiaries in Canada 1964-1967" published by the Department of Industry, Trade and Commerce indicates that in recent years an increasing amount of the funds required to finance the growth of Canadian subsidiaries of American corporations has been financed by retained earnings of the Canadian subsidiaries and by borrowings in the Canadian market. The report says at page 40:

"In 1965, funds from the United States accounted for a major part of the external financing of the reporting corporations. Liabilities owing and paid-in capital held in that country increased by \$557 million representing 71% of the \$780 million total from all sources. Canadian sources supplied almost all the remainder, \$220 million of its \$223 million balance. In 1967 the situation was quite different. In that year, Canadian sources provided \$374 million or 64% of the \$581 million total, sources in the United States accounted for \$197 million or 34% of the total, and third countries supplied the other \$10 million or 2%. This switch that occurred in 1967 from the United States to Canada as a major source of external funds [for American-owned subsidiaries] is probably due to a number of factors including the lesser overall requirements for external funds, the desirability of financing short-term rather than long-