

parent companies and other centres of decision are located. The general effects of truncation are vividly summed up in the phrase "branch plant mentality".

The ease with which foreign capital can be imported via portfolio and direct investment, and technology and entrepreneurship via direct investment (and the combined result of all of these assets imported through trade) has diminished the pressures for Canada to develop these most creative aspects of business to their fullest extent among Canadians. Canadian society and culture have suffered as a result. However, the effects of truncation are not the only operative forces in this situation. The fact that Canadian society has tended, particularly in the past, to be dominated by an establishment based more on social connections than ability and providing only limited scope for social mobility has contributed to the failure of Canada to develop entrepreneurs at the same rate as the United States. Social rigidity has induced the expectation and mentality of working for others.

Truncation also influences education and the relationship between Canadian society and Canadian universities. There tends to be a correlation between the type of education and training which is developed in universities and the types of job opportunities available. In Canada, the universities and business schools will tend to prepare people for work in a "truncated" economy. As a result, an important dimension is probably missing from our educational system. To the extent that the educational system does produce creative individuals who want to be "top dog", these people have difficulties in finding the type of employment they want in Canada's truncated companies.

The United States manager who often accompanies United States direct investment in Canada also has a considerable cultural impact as a member of the business community. Having been born, educated and raised in the United States, being familiar with the history, geography, and culture of that country, his impact is bound to reflect social and cultural values mounted in an American milieu. Often he brings with him a taste and preference for United States products and ways of doing things which go beyond the methods of doing business. His membership in American-based professional associations and clubs, his family and friendship links with the United States, for example, will tend to reduce his identification with the Canadian community.

The propensity of foreign controlled companies to source a greater portion of their purchases of goods and services in the country of the parent company has been discussed in Chapter Eleven. This tendency means that a foreign controlled company acts as continuous transmission belt and that the cultural impact is greater than simply the impact of the initial investment.

The cultural impact of foreign investment is magnified to some degree by the sectoral distribution of this investment. There is high foreign control in industries which have considerable cultural impact such as book publishing and in industries which are responsible for the dissemination of culture, such as film and book distribution. Foreign control, and United States control in particular, is high in those industries in which taste formation, product innovation and differentiation are crucial, such as automobiles, pharmaceuticals, and electrical appliance products. High foreign investment in the resource industries has less of an impact on culture because the purpose of the investment is basically extraction and export, and the resource industries employ—and thus affect—relatively fewer Canadians.

It is interesting to speculate whether the cultural impact of foreign corporate activity (including the possibility of creating a more distinctive Canadian culture) might be decreased if foreign investment were not so heavily concentrated in United States hands.

Might not the introduction of a greater diversity of sources of investment enhance the prospect of developing a distinctive Canadian identity? Such a policy of diversification would be consistent with the concept of a review process which advocates the search for better alternatives. On the other hand, there can be no assurance that a change in the mix of foreign direct investment would make a significant difference to the basic cultural similarities that have facilitated the large inflows of foreign direct investment, particularly from the United States.

## Conclusions

The penetration of Canada by foreign direct investment, particularly from the United States, has been facilitated both by the lack of a strong sense of Canadian national identity and by the cultural similarities between Canada and the United States.

Control of a substantial portion of Canadian business activity by United States corporations is likely, in turn, to have had a significant impact on the Canadian cultural environment. There is a "continuous feedback" relationship between foreign direct investment and Canadian culture, with cultural similarities facilitating foreign direct investment and foreign direct investment, in turn, inducing greater cultural similarities.

To maintain that United States direct investment has had a significant cultural impact on Canada, it is not necessary to make a precise judgment about the exact impact of United States investment, nor to draw up a balance sheet of what is good and bad in the cultural impact of the United States corporation. Some effects have probably been beneficial. The introduction of greater cultural variety and choice no doubt enriches Canadian life. On the other hand, the extension of United States methods of marketing and promotion have had some undesirable effects. It can be asserted with some degree of confidence that the presence of large volumes of foreign investment concentrated in United States hands increases the difficulty of developing a distinctive Canadian culture. This has potentially serious implication since the economic and political strength of a country lies largely in the creation of a cultural, social and political milieu which favours indigenous initiative and innovation.

Canadians appear to be concerned about the development of a distinctive Canadian culture in the face of high and growing levels of foreign investment in Canada. The question arises whether a policy that restricts foreign investment has a role to play in achieving this objective. Unless such restrictions were very severe, and thus highly protectionist, it is doubtful that they would have a major impact on Canada's cultural development. The impact of a moderate policy would probably only be marginal; it would not be a substitute for the development of specific cultural policies to foster the development of a stronger Canadian identity, as advocated by the Royal Commission on national Development in the Arts, Letters Sciences.

Socio-cultural attitudes in Canada are evolving; in particular a new and more confident sense of nationhood seems to be developing. A foreign investment policy could be regarded as one useful manifestation of this new nationhood.

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