

Foreign Capital

Reliance upon foreign capital is by no means new to Canadians. It is deeply rooted in the basic structure of our economy and, since before Confederation, has been an essential feature of our development. Spread over great geographical areas, the utilization of Canada's natural resources has taken tremendous amounts of capital, management initiative and know-how to develop. But because of Canada's sparse population, the domestic supply of these essential nation-building resources has fallen well short of requirements, particularly in times of rapid development. Such a period characterized the Canada of a century ago. In fact the need for foreign capital to maintain the rapid rate of growth was one of the prime reasons for Confederation itself. One important motive leading the British North American colonies to unite was the need to provide a broader, credit-worthier base for foreign borrowing.

The importance of foreign capital to the Canadian economy today can be seen in the magnitudes involved. The most recent estimates indicate foreign interests have a total stake of \$33 billion in our economy. Their net investment, allowing for Canadian assets abroad, exceeds \$20 billion -- nearly twice the total annual value of our exports.

Half this foreign investment is in ownership of Canadian enterprises. It is heavily concentrated in the areas of manufacturing and of mineral production. Foreign-owned companies now account for three-fifths of Canada's manufacturing and mining and three-quarters of our petroleum and natural-gas industries. More than three-quarters of the foreign ownership is in the hands of residents of the United States.

This subject is, therefore, of great interest to Canadians. A committee of the Federal Cabinet has been assigned to the task of searching out and presenting further information. And the Department of Trade and Commerce has, as a result of continuing studies started early last year, undertaken to contribute data for their work. This occasion today provides me with an opportunity to comment briefly upon some of the results of the Department's work.

One primary interest was with the corporate behaviour of foreign-owned subsidiaries in Canada as the activities of these firms -- both real and imagined -- have been the subject of much debate in recent years.

Three basic fears about the presence of foreign ownership in the national economy have been raised. One is that they will create a charge against the country -- in the form of repayment of debt and payment of interest and dividend -- of unmanageable proportions. While recognizing that any inflow of capital creates a debt (and in our case it is substantial), I must point out that interest and dividends paid abroad amount to only about two per cent of our gross national product -- a third of what it was during the 1930s. And, on a per capita basis, Canadians invest much more heavily in the United States than Americans do here.