

Transnational corporations

to foreign investment, and is non-discriminatory as to the country of origin of foreign investment. This is illustrated by the fact that in excess of 90 per cent of foreign investment applications have been approved.

The need to control the investment climate in Canada, as in so many other countries, arose in large part from the growth of transnational corporations. I think it is important, in reviewing the growth and influence of these kinds of corporations to state that, in my own view, transnationals are neither the impediments to economic development nor underminers of national sovereignty that their detractors would have us believe. At the same time I do not believe that they are our best hope for overcoming world poverty and building a global society, as their most ardent proponents argue. They are, however, undoubtedly the largest, most efficient, technologically advanced and internationally adaptable enterprises available to us. As such, they have a potentially significant contribution to make in the North-South challenge.

Transnational corporations account for a large and growing proportion of world production, research and development, employment and trade, and their managers allocate capital and resources on a global scale. The annual operating budgets of many transnational corporations exceed those of most of the world's governments. Given these characteristics, it is not difficult to see that international co-operation is essential to ensure that the benefits of these operations are maximized for both the host country and the investor.

Transnational corporations, as an important international phenomenon, emerged in the years following the war. American and British corporations were the first to go multinational and, for a long period, accounted for the majority of direct foreign investment. By the late Sixties and early Seventies, European and Japanese firms had arrived on the scene and grew quickly. To underline the growth and significance of transnationals, intracorporate trade, as a percentage of total world trade, has expanded dramatically from 25 per cent in 1970 to an estimated 50 per cent today.

Multinational companies have grown significantly in the past two decades and have made their presence felt. In Canada, foreign-owned corporations own 40 per cent of our mining industry, 65 per cent of our oil and gas industry and 48 per cent of our manufacturing industry. Of the 50 largest companies in Canada, 18 are foreign controlled. Non-resident ownership and control on this scale is, of course, without parallel elsewhere in the industrialized world. By contrast, of the 50 largest firms in Japan, none is foreign controlled.

In Brazil, foreign control levels are considerably lower than in Canada – about 15 per cent in such important sectors as chemicals, automobiles, steel, food processing, communications and electrical equipment. Canadians have been active participants in the Brazilian economy. After the United States, Brazil is the second largest recipient of Canadian foreign investment. Large Canadian transnationals such as Brascan,