

international level; it is also a question of moving investment resources from the regions which are relatively developed toward the less developed regions”.

Certainly if effective collaboration can be obtained between the Federal and Provincial governments, there will be no difficulty from the constitutional point of view in regulating foreign investment in Canada. Moreover the Federal Government by itself may have sufficient constitutional authority to take the initiative under the relevant provisions of the British North American Act. In any case, however, for a number of reasons it would be desirable that action in this field should be carried out in collaboration with the provincial governments particularly because of the regional nature of many of the problems involved.

3.26 *Statutory Requirements for Canadian Participation* Many Canadians have urged that laws should be passed requiring that at least 51 per cent of the voting shares of all Canadian corporations must be owned by Canadians. Such a requirement, if combined with appropriate regulations to guarantee that Canadian shareholders, (even if their holdings were widely dispersed,) would have the right to elect a number of directors proportionate to their holdings of voting shares, would be effective to ensure that Canadians remained in control of their own industries. Laws somewhat to this effect have been adopted by a number of countries including Japan and Mexico.

While such a plan would have the advantages outlined above, its cost must be carefully assessed. As indicated above, Canada will have a continuing need for large amounts of foreign capital, to supplement its domestic savings. Investment capital seems to be in short supply in the world and it is likely to go to those countries where conditions are most favourable. While the political stability and investment opportunities in Canada are attractive to capital, nevertheless any restrictions are bound to reduce this attraction to some extent. Moreover the knowledge, techniques and skill which accompany the influx of American capital have been extremely valuable from Canada's point of view. These have been freely available to Canadian subsidiaries controlled by American owners; they might not be quite so freely available to Canadian corporations controlled by others.

Moreover, in many industries dominated by Canadians there are American owned companies; this may not be undesirable. There are also many American owned companies in industries which most Canadians would consider not to be of vital importance to the Canadian economy. On the other hand there are other vital industries where it would be extremely important that at least certain companies should be controlled by Canadians.

The conclusions and recommendations of the Committee on this subject are contained in Section 3.32 below.

3.27 *Corporate Voting Procedures* In any consideration of Canadian equity participation, corporate voting procedures must be reviewed carefully. For example, even though a corporation may have 25 per cent or even 49 per cent of its voting shares in the hands of Canadians, this does not necessarily give Canadians an effective voice in the affairs of the company, because the American owners of the majority of the voting stock have, under usual voting procedures, the right to elect the entire Board of Directors and therefore the management of the company. Even if the majority of shares are distributed among