3.3 NATIONAL CONTROL

Reducing barriers to foreign investment in Canada has been a goal of the current government since its election in 1984[83]. The FTA extended the principle of national treatment to U.S. investment in Canada.

Takeovers and takeover attempts on Canadian companies such as **Lumonics, de Havilland, Falconbridge,** and **Connaught BioSciences** recently have rekindled fears that Canada's economy in general, and the leading edge high technology firms and industries in particular, may fall under foreign control[84].

These and other takeovers and acquisitions have revived public discussion of the need for, and virtues of, an "industrial" or "national" policy and the possible need to "protect" strategic industries.

Though not directly related to the FTA, the recent debate over the sale of Connaught to Institut Mérieux of France centred over whether research and development jobs will remain in Canada and whether spillover employment effects will accrue to Canada or to France.

Critics of the takeover suggest that a foreign owner for **Connaught BioSciences**[85] will devote a lower proportion of its R&D expenditures to work in Canada and that any benefits from new discoveries will belong to the parent. Mérieux had proposed a plan to continue R&D spending in Canada, combining projects and efforts with its home country operations.

A second bidder for Connaught, Ciba-Geigy of Switzerland, had also proposed combining efforts of Connaught with one of its U.S. partners, Chiron, to move into bio-technology research, at the leading edge of pharmaceutical research today[86].

After its initial proposal was rejected by Investment Canada, Mérieux pledged that it would spend an additional $160 million on R&D over five years at a new bio-technology centre

[83] This matter is discussed further in Section 4.2.5. below.

[84] While Statistics Canada has not yet made recent figures on levels of foreign ownership in Canada available, it is estimated that foreign ownership of non-financial corporations may climb to 35 per cent this year, with foreign control in all sectors totalling about 25 per cent.

[85] Connaught is named after the labs where insulin was discovered, and which was operated by the University of Toronto prior to being sold to the Canada Development Corporation in 1972. Connaught BioSciences was formed when CDC was wound up and its holdings privatized. Mérieux, which is a leading serum manufacturer, is controlled by Rhône-Poulenc, a French state-owned company.

[86] Ciba-Geigy spends nearly ten per cent of its total revenues of $14 billion on research and development, as does its Canadian subsidiary on revenues of $385 million.