

## Investments

Bankers and industrialists believe that Canada's greatest period of growth is just ahead. The pie will grow (particularly the energy pie) and foreign companies and investors will share it.

There are, however, problems. Britons may not realize that nineteen of the fifty largest firms in Canada are owned or controlled by foreign companies. Canadians do.

American firms dominate the production, refining and marketing of Canada's oil and natural gas. They also dominate chemicals, the auto industry, the manufacture of electrical products and a great deal more.

The most striking fact about U.S. direct investment is its size—over \$38 billion, or 80 per cent of all foreign direct investment in Canada. U.K. direct investment in Canada is \$4.4 billion, or 9 per cent of the total. U.K.-controlled investment is \$7.4 billion, or 11 per cent of the total.

Young nations with resources attract capital. In the nineteenth century, when the United States was as young as Canada is now, British investors controlled many of its enterprises. This worried Americans. A decision in the city of London could cause a panic on Wall Street and an unemployment crisis in Illinois. Today, however, only two of the fifty largest firms in the United States are foreign-owned.

Canada is willing to share its growth, but it does not wish to have foreign companies control three-quarters of production revenues in such an essential sector as the oil and gas industry. Fifty-fifty ownership is closer to what Canada has in mind there.

In this issue of CANADA TODAY/D'AUJOURD'HUI we consider Canada's efforts to strike an appropriate balance between investments from home and those from abroad.

## The Evolution of Foreign Investment Policy

Canada has always attracted large amounts of foreign capital. British investors dominated at first, but by the mid-1920s Americans had become the chief owners of Canada's developed and developing natural resources.

The change, in the words of economist and historian Harold Innis, was "accompanied by friction and a vast realignment of the Canadian system."

In the 1950s Walter Gordon, Chairman of the Royal Commission on Canada's Economic Prospects, said that "if we do not take steps to regain control of the Canadian economy—and this will not be easy—I do not believe Canada will be able to retain her independence indefinitely in any real sense of the term . . ."

But Gordon also said, "Canadians must fully realize that we share this continent with [the United States] and this must be forever; there is no provision for divorce in the intimate relationship between our two countries."

Gordon went on to become a controversial Finance Minister under Prime Minister Lester Pearson. In 1966 the Pearson government asked Canadian-based foreign corporations to make a conscious effort to foster the growth of Canadian technology and trade, and in 1975 the Trudeau Government issued guidelines for foreign companies, entitled "New Principles of International Business Conduct."

During the seventies the government created two instruments which would ensure Canadians a greater involvement in their own economy.

Petro-Canada Ltd. was chartered in 1975. Its primary purpose was to ensure Canadians a greater involvement in the development of their own petroleum resources and to make sure that Canada has a secure supply of oil and gas. It is an integrated producer and refiner of oil and gas, which is intended to serve as a vehicle for government policy. It can acquire open Federal or Crown Reserves. Industry was against the crea-

### Cover Illustration:

*The figures for foreign control of oil and gas production in Canada do not take into account the major takeovers by Canadian companies in 1981, which have significantly reduced foreign control.*

*Canadian statistics on foreign control of manufacturing tend to understate the extent of foreign control because:*

- *Determination on the basis of assets ignores the fact that foreign controlled companies have a greater than proportional control of the market.*
- *In Canada, foreign ownership of 10% or more does not necessarily establish foreign control.*