

In essence, these international giants can streamline and expedite the exchange of capital and manpower, of machines and men, of ideas and innovations. Research done in one country can be made rapidly available to many. Managerial techniques and skill and training acquired in one country can be utilized and shared among others.

In part, the strengths of multinational companies can be matched by consortia of smaller companies -- particularly in the field of exporting. In my opinion, much more use can be made of this technique, and we are at present studying areas in which further government action might facilitate this channel for developing collective strength by a number of smaller companies concerting together for specific purposes.

Well-managed multinational companies discharging their responsibilities as good corporate citizens have great potential and promise. But they bring with them many problems as well. These giant corporations, and the governments of the nations within whose boundaries they operate, have to adjust to the new concepts and techniques dictated by this product of our changing times. The subtle and difficult problems of the degree of decentralization essential to a world-wide operation must be solved.

National governments will have to update many of their traditional policy concepts. What, for example, do capital flows between nations represent in the era of the multinational company? As one economist has observed, in dealing with these giant international corporations, "it matters less how much capital actually crosses national frontiers, than whether or not this capital has an effect on the 'domestic' sector within the economy".

Exports, too, take on a new meaning as, increasingly, international transactions take place within the framework of a single multinational firm, and as the international operations of a company with headquarters within one nation have a substantial impact on the trading performance of many other nations.

Fiscal policy must be flexible as the incentives or disincentives provided to multinational firms become an increasingly important element in a nation's tax structure. And monetary policy, when capital is acquired more through complex intercorporate linkages, and less on the open market, will have gradually to be reformed to fit the changing circumstances.

National policies cannot ignore the importance of multinational companies. It can make the economic climate favourable or unfavourable for them depending upon whether the government deems them to be harmful to the nation or whether it wishes to utilize their advantages. But, before this can take place, we should gain much more knowledge of the impact of these multinational firms on national economies. And because this question is of particular importance to Canadians, this is what we have set out to do.

The enormous contribution of foreign capital to Canada's economic development cannot be overstated. There is no doubt about the fact that foreign direct investment in Canada has enabled us to achieve a relatively high standard of living much more quickly than we could otherwise have done.