

Foreign Investment Capital

External capital has always played a significant role in Canada because scarcity of domestic capital has often put limits on the pace of development and expansion. Thus, in early years, in a country where transportation facilities were a major necessity, a considerable part of non-resident capital was used to finance canals, roads, railways and similar needs.

In more recent years, external capital has also helped to finance new industries, mines and sources of power and to expand such industries as pulp-and-paper, non-ferrous smelting and refining, chemicals and petroleum.

To an increasing extent, external capital coming into Canada has been in the form of direct investment and often through the medium of an international enterprise. This type of investment involves an element of foreign control over the business so financed. Also, it often provides the Canadian enterprise with easy access to technology, management skills, marketing and procurement facilities of the larger international organization.

As the Canadian economy has grown it has been able to finance a larger proportion of its capital requirements from domestic sources. While foreign investment has continued to be welcomed, the Government has adopted a number of measures to foster and protect the national interests. Limitations have been placed on foreign investment in banks, certain other financial institutions and certain communications media. The development of strong Canadian-controlled business is being fostered through the establishment of the Canada Development Corporation and through tax measures. In early May 1972, the Government announced a foreign-takeover review policy and the legislation proposed to implement it. When enacted, this policy will subject takeovers of Canadian business by foreigners to review and approval by the Government. Unless it can be demonstrated that a significant benefit to Canada will result from a takeover, it will not be permitted by the Government.

Canada and International Organizations

Because of the traditional strong feelings of Canadians for a multi-lateral approach to working out trading relations, Canada has consistently supported various international organizations in the commercial and aid fields. Canada participates actively in the Organization for Economic Co-operation and Development (OECD), the Customs Co-operation Council, the United Nations Conference on Trade and Development, the Food and Agriculture Organization (Canada was host to the founding conference), the World Bank Group, the United Nations Development Program (UNDP), the Inter-American Development Bank, the Caribbean Development Bank and the Asian Development Bank.

While the GATT has been the focus for Canada's external commercial policy, the OECD has played an important role in the exchange of views and statistics and developing solutions to a wide variety of commercial problems, including the effects of trade liberalization, government procurement, environmental control, industrial development, and consumer protection.