

Another interesting fact concerns Canadian companies that are more than 50 per cent owned by non-residents. This includes again, not only United States ownership but other foreign ownership. However, by far the largest share would be American. Fourteen per cent is in construction, 31 per cent in wholesale trade, 21 per cent in retail trade, 20 per cent in services, 6 per cent in agriculture and fisheries, and 4 per cent in finance.

In 1968, of all the businesses in Canada, only 27 per cent were, in the full sense, controlled by foreigners. During the period from 1957 to 1966 there was, in fact, no overall increase in U.S. ownership of Canadian businesses.

Let us look at these figures. In that period, United States ownership in manufacturing went from 43 per cent to 46 per cent; in petroleum and natural gas it fell from 70 per cent down to 58 per cent; in mining, from 52 per cent to 53 per cent. In fact, today the total known U.S. investments in Canada, expressed as a percentage of all investment, is less than it was during the 1920s.

It is useful to remind ourselves that there is constant buying and selling between Canadian and United States interests. The Government supplies lists of foreign takeovers and admits that those lists are compiled from newspaper reports. However, the Government does not provide us with the number of acquisitions by Canadians of United States interests, and information concerning the expansion of our economic activity in that country. Just recently Bombardier of Quebec made one of the largest U.S. acquisitions, in terms of dollars, ever made by either United States or Canadian interests in the other country. Indeed, the Government has never to this date produced any study to ascertain what induces these purchases or sales, and which would enable us to take action to determine how to assist in one case or to deter in the other. I hope that the current study undertaken by the Government, and soon to be produced, may provide some of the answers.

Honourable senators, I suggest we are inclined to assume that there is nothing but minuses produced by foreign investment in our country. May I suggest that there are many pluses to foreign investment in this country? First, and on the whole, through it we enjoy increased improvement in the quality of our agents of production and greater efficiency in their use. We gain from economies of scale, and we gain new techniques, new access to foreign markets, and entrepreneurship. Foreign investment produces more tax revenues and, by and large, lower prices through new competition. We enjoy generally a better quality of goods and, very basically, through it, achieve an overall higher real wage rate. However, we hear only of what this foreign-controlled investment pays out of Canada in interest, dividends, royalties and fees. We hear very little of the positive contribution made by this investment to our economy. That is enough for myth No. 1.

I would like to turn to another prevalent myth, namely, that the inflow of money that comes with these U.S. companies is less than the outflow which passes from them to their foreign parents. I will only suggest

to you that all studies indicate that this is not so. In all likelihood the reverse is true, namely, that the inflow exceeds the outflow. This is particularly so if one takes into account the exports generated by these companies for Canada and the imports that we would otherwise make and that they displace by production in Canada. Indeed, studies in the United States and the United Kingdom show that their companies operating abroad take a long time to recover the foreign exchange losses they initially create, if they ever in fact are recovered.

May I pass to what I term myth No. 3, namely, that the foreign-controlled companies in Canada, through the generation of profits here, are able to purchase further Canadian companies, and by so doing "our savings are being used to finance foreign takeovers." I suggest to you that these savings by foreign-controlled companies in Canada are no more ours than was the original foreign capital invested to generate those savings. These savings might well and properly have been paid out by these foreign subsidiaries in the form of dividends and to their foreign parents. Therefore, I suggest to you that it is quite false and misleading to say that re-investment of savings by foreign companies operating in Canada is financing takeovers with our own money. In this regard it is interesting to note that in the 1920s foreign business and portfolio investments combined received payouts in interest and dividends in total amounting to 2.9 per cent of Canadian GNP. During the past 15 years these payouts have dropped to 1.9 per cent of our total GNP.

Another myth currently touted is that the economic performance of foreign-owned firms in Canada is inferior to that of Canadian companies. Again, studies show that this is not so. What is more interesting is the fact unique to Canada that these foreign-owned companies perform at about the same level as Canadian-owned companies, or a shade better, except as to exports. In that regard, Canadian-owned companies are only somewhat more proficient than their counterparts. Uniquely, we seem to drag foreign-owned businesses down to our own level. I say that because this does not generally hold true with respect to United States firms operating in Europe.

I am reminded of a conversation I had several years ago during a flight from London to Belgium in connection with one of the NATO meetings. I noticed something familiar in the inflection of a gentleman next to me on the airplane. In reply to my inquiry he informed me that he was born in Montreal. I confirmed that he was a French Canadian by birth. He had been carrying on postgraduate work and teaching at a university in New York City and had studied at the London School of Economics during the previous years. I then inquired why he was on his way to Brussels. He advised he had been retained by the Belgian Government to conduct a study into the reason for the competitive inferiority of Belgian companies to American companies operating there.

That has not been our experience in Canada. American and other foreign companies operating here come down to our level of performance; they do not exceed their