found against the acquisition by foreign investors of companies already existing in the host country, often at "bargain prices".

'Excessive prices'

To proceed to a higher level, fear of exploitation is caused by the "excessive prices" the developing countries have to pay to obtain from other countries the technology they so urgently require. The same type of criticism is heard in the realm of finance: a foreign investor brings in his capital, his technological knowledge, his "management", in the hope of making worthwhile profits, and succeeds in persuading local investors to join him (more often by way of loans than by way of part-ownership), so that domestic capital finds itself under foreign control and is diverted, it is claimed, to less-productive goals. In this way the foreigner benefits by any increase in value of the shares while the local investor gets only the interest; the result is that most of the profits leave the country.

Finally, with a view to furthering their independence by strengthening their economies, the Latin Americans have thought of economic integration. A Mexican economist has interpreted this swing towards integration as a reaction to the frustration felt by Latin America in its process of development based on the capitalism of private enterprise. However, the existence of multinational business in the Latin America economy will give rise to another cause for resentment on the part of the host countries, for it is likely that broadening the market in those countries will very quickly be of great benefit to foreign enterprises.

Government policies

Government ambivalence with regard to foreign investment probably affords an explanation for the timidity shown almost all over the world by governmental policies in the matter. These various policies fall into three main classes: (1) the setting-up of a selection process for foreign investment or, in more general terms, the imposition of restrictions on foreign firms; (2) the taking of various steps to reinforce national industry; (3) the conclusion of international agreements. Canada's current Bill C-132 belongs to the first of these classes.

What the Canadian Government suggests is the setting-up of an agency to "screen" or select cases of acquisition of Canadian concerns by outsiders, as well as the establishment of new businesses by persons other than Canadians; an important exception is made, however, for the expansion of foreign enterprises in sectors related to the businesses already being carried on by them in Canada. Thus, according to the basic philosophy underlying Canadian government policy, direct investment is neither necessarily good nor necessarily bad for a host country. It would therefore appear that Canadian policy conforms with the scheme of analysis described above, and it is certain that, under such conditions, each individual case should form the subject of serious consideration.

There can be no question of laying down broad general rules; since problems differ from one industry to another, even from one enterprise to another, our policy must be adapted to each industry. Then, unless it is to lose almost all its meaning, the investigation of the industry cannot be limited to what goes on within national boundaries. Since direct investment very often involves a sort of transposition of an oligopolistic struggle going on in several countries, the behaviour of the industry as a whole must be considered. In the light of the foregoing scheme of analysis, it will be understood that the cost-benefits analysis of the effects of direct investment will always remain incomplete because of the difficulty encountered in grasping all the implications of these effects. This is another reason why it is difficult to reach any clear-cut decisions in the matter. For all these reasons, we believe that the Government is doing the right thing in choosing the selective method. In spite of this, the Bill as it now reads, with no fundamental changes following discussion in the parliamentary committee concerned, is not without its weaknesses. (*See* the minutes, with appendixes, of the Standing Committee on Finance, Trade and Economic Affairs, First Session, Twenty-Ninth Parliament, 1973, as well as B. Bonin's article "Bill C-132 on Foreign Investment Review" in *L'Actualité Economique*, January-March 1973).

Review agency an instrument of policy — 'will be necessary to go on from there'

Weaknesses of screening measures

In the first place, let no one think that setting up an agency to review foreign investments in itself constitutes a policy. It is simply a policy instrument, and it will be necessary to go on from there. So far the Government has suggested a few criteria on which the foreign investment review will be based. For the time being these criteria are fairly general — even rather vague. No doubt they will become more concrete with experience. Other criteria have also been suggested that would constitute an improvement on present policy. There should be no cause for sur-