

mandatory requirement for any insurance coverage. The EDC's statement to the Subcommittee further stated,

"In addition, the Corporation will attempt to establish the benefits to be accrued by the host country prior to issuing a policy and will also attempt to measure these benefits after the fact." (6:78)

The Subcommittee strongly endorses these efforts to ensure that all Canadian private investment underwritten in this way by the Canadian Government actually furthers the objective of social and economic development and fits the development priorities of the host government. A welcome change in the legislation affected by the recent amendments is the removal of the requirement for formal inter-governmental assurances on safe-guarding foreign investment. The governments of developing countries generally appear to have found this condition objectionable and it was a serious obstacle to the finalization of insurance contracts. The Subcommittee hopes, with the EDC, that as a result of the removal of this obstacle, the programme will now experience rapid growth.

161. Other policies which are particularly important are those relating to the size and nature of investment projects insured. Partly as a result of the limits of its resources and the need to "spread the risk", the Corporation will concentrate its insurance coverage on investment projects of small and medium sizes. As noted earlier, this type of investment is anyway increasingly preferable from the viewpoint of both the host country and Canada.

162. The Corporation also states that it

"...encourages but does not require that the investment include in addition to a capital outlay, such things as production, management or marketing. It also encourages local participation in the investment on the part of persons in the host country." (6:72)

163. Both of these policies should serve to promote secure, harmonious and mutually-rewarding relationships between Canadian investors and the host countries. Since this is also clearly in the interest of the Canadian Government and people, the Subcommittee recommends that the EDC should give definite preference to projects with a manufacturing, processing or high-technology content and to ventures undertaken jointly with host-country nationals. The Corporation's ongoing evaluation of the local benefits derived from investments insured should give full consideration to such factors as: the investor's readiness to permit local equity participation; profit-reinvestment; stimulation of local supplying industries; readiness to employ and develop local personnel at all levels; cooperation with host-government plans and priorities; and good community relations in general. All of these factors will relate to the development impact of the

investment, the maintenance of Canada's national image, and, indeed, to the long-term security of the investment and the risk thereby incurred by the Canadian Government. These factors should, therefore, be carefully examined in the assessment of any application for new or extended coverage by insured investors.

164. In the light of the preceding considerations, it is to be hoped that with the new, more flexible legislation in effect, the Corporation will be able to take action quickly on the many applications received from potential investors. If the experience with this programme demonstrates that it is likely to promote both basic development and good overall relations, the limits of the Corporation's liability should be further expanded as the need arises. It should also be mentioned that efforts are underway to coordinate the various national schemes and to devise an international investment insurance scheme under multilateral auspices. The Subcommittee believes that Canada should co-operate actively in these efforts. A multilateral scheme, under the proper conditions, might eventually prove to be a most desirable channel for certain types of such activities. In that event, it could effectively supplement the present Canadian plan.

165. Apart from fiscal measures and investment guarantee schemes, another main method for encouraging investment is the collection and dissemination of information and promotional material on investment needs and opportunities, and the provision of supporting assistance for the preliminary investigation of possible projects. In Canada, all of these activities have been undertaken, at an increasing tempo, by the Business and Industry Division of CIDA.

166. In the area of investment-related information, the Division will make available its resources and expertise relating to:

- 1) Obstacles and incentives to private investment in many developing countries;
- 2) Economic conditions in individual developing countries;
- 3) Persons to communicate with, in government and in private industry, in developing countries;
- 4) Names and addresses of Canadian government representatives in developing countries;
- 5) Sources of capital for international development and conditions governing international lending agencies;
- 6) Lists of enterprises in developing countries which seek capital investment and participation, and
- 7) Technical assistance available from CIDA and international agencies.

This kind of service should prove invaluable not only to potential Canadian investors but also to the governments and entrepreneurs of developing countries who may be