

## Foreign Capital Investment in Canada

### Conclusions

Canada has always welcomed the investment of foreign capital and has benefited greatly and will continue to benefit from the foreign capital that has been invested here.

Over half the total foreign investment in Canada is in the form of "direct investment" (i.e., permanent or semi-permanent) concentrated in the resource and manufacturing industries.

Foreign controlled companies have a dominating position in a number of important industries including: Oil and gas, nickel, iron ore, aluminum, asbestos, automobiles, electrical apparatus, rubber and some sections of the chemical industry.

The amount and influence of foreign capital is of much less significance in such industries as primary iron and steel, food processing, textiles, transportation, public utilities and construction. It is almost non-existent in agriculture. The influence of foreign capital in the pulp and paper industry, while not dominant, is important.

### Suggestions

We should like to see more of the foreign capital in Canada invested in bonds and mortgages -- and that part of it which is invested in the resource and manufacturing industries associated with Canadian capital.

There would seem to be three objectives for foreign controlled concerns operating in Canada:

- (a) Wherever possible they should employ Canadians in senior positions, should retain Canadian professional and service personnel and should do their purchasing in this country.
- (b) They should publish their financial statements.
- (c) They should sell an appreciable interest in their equity stock (say 20% to 25%) to Canadians and appoint independent Canadians to their boards of directors.

Incentives should be given to Canadian subsidiaries of foreign companies to sell an interest in their equity stock to Canadians. This could be done by appropriate changes in the income tax law.

Provincial Governments might well consider requiring foreign applicants for mining rights, oil leases and timber limits to take in Canadian partners.

Action should be taken to prevent control of the chartered banks and the life insurance companies from falling into foreign hands. (One way of doing this would be to make shares of such institutions acquired by non-residents in the future ineligible to vote.)