

investors will diminish. In many cases local governments will foster this process by regulation. Investors will be forced to recognize the rights of sovereign economic control and the legitimacy of many local interests. It goes without saying that local governments which wish to secure the benefits of foreign capital in competitive world markets must permit reasonable returns and reasonable freedom for flexible operation.

With regard to existing investment, it is now clearly in the interest of foreign-owned companies to secure local equity participation. This will further national development by distributing more widely the benefits of economic activity. To the extent that local capital is available, its participation will also provide goodwill and a secure place in the local community.

Some Canadian companies in the area have already energetically pursued this policy with salutary results. Others face difficulties involving integrated international operations, share-listing, and currency controls. Such problems can, however, be overcome. Increasing local ownership is a matter of urgent concern to the host communities, the companies involved, and Canada. It would seem that an excellent starting-place in spreading local participation will be for companies to offer to their Caribbean employees the kinds of stock-purchase plans common in North America and elsewhere.

##### *5. Extending the Benefits*

Another general trend among developing countries is the determination to industrialize. Recognizing that secondary industries have been the engine of growth in the rich countries, governments of developing countries are intent upon reducing their present level of dependence on primary production.

A large proportion of the Caribbean investment of Canadian-based companies has been in the bauxite and alumina industries. The situation regarding these products is discussed in this report's section on Canadian imports from the area. In summary, it is evident that while this production has contributed a great deal to national output and to the development of ancillary economic activity, local pressure for increased refining, smelting and manufacturing will intensify in the future. This demand for greater local economic benefit from the end-products of Caribbean resources must be met if resource-based companies are to operate successfully in the future.

The other traditional area for Canadian-based investment has been in financial institutions where several companies have occupied a commanding position for many years. In most countries this is a vital and intrinsically sensitive sector of the economy and the Committee has concluded that it will be increasingly important