

Our earlier study approached this question under three headings:

- (1) How far does foreign financial control by a corporation get translated into actual control with respect to the principal corporate decisions?
- (2) Where foreign control is in fact exercised, is the behaviour of the foreign controlled corporation different than a corporation under domestic control?
- (3) If differences in behaviour occur what are the consequences for Canadian economic interests?

These are good questions. I wish we had good answers. Let me interject that, when we talk about foreign controlled enterprise in Canada, we are talking mainly about United States enterprise, because this is where most of the work and most of the concern has been concentrated.

First, the question of the locus of control. By this we mean effective control, since the issue of financial control is, of course, embraced in the definition of a direct investment company. In our earlier work, we found that it was not possible to make any simple generalization. Case studies yielded a rather broad spectrum of control policy, which varied from complete direction by head office of even the most minute decisions, to virtually complete decentralization. Most firms were somewhere in between, with the day-to-day direction of the enterprise in local hands and the major decisions such as investment, new product lines, pricing and so on subject to close surveillance from head office.

Many factors influenced the place that a particular enterprise occupied in this broad spectrum: tradition and business philosophy of the major shareholder; whether the major shareholder is a parent company engaged in the same business as compared with shareholders interested principally in the financial results; age and maturity of the enterprise; whether a wholly-owned subsidiary or public company with Canadian minority participation; the calibre of local management, and many other factors. In the case of the large resource and utility companies, where major ownership was distributed over a large number of non-resident shareholders, the pattern indicated rather more local control. As might be expected, the reverse was more typical for wholly-owned subsidiaries of foreign corporations engaged in similar production. Other researchers commenting on the locus of effective control have come to about the same conclusions.

If I were writing today I would be inclined to be somewhat less cautious in identifying the locus of effective control. I would venture the opinion that foreign control is much more complete, and much more direct, than our earlier conclusions suggest on all important decisions. This I believe, is especially true in the manufacturing sector. The processes whereby direction is given from home base is often both subtle and pervasive. At times, the mechanical steps are not easily discernible. Whether by overt direction or through the selection of key management, their training and their own good commonsense on advising within the framework of parental wishes, I believe that control is effectively exercised from abroad.