ty, with a maximum input of relevant technological, managerial and marketing "know-how". They are amenable to joint ventures and other arrangements for local participation and for the rapid assumption of operational control by trained nationals of the host country. Indeed, since the regime of outright ownership by foreign investors is likely to continue to diminish, the maximum scope for Canadian participation in developing countries may be through such devices as licensing agreements, management contracts, and fixed-term arrangements for ownership reversion.

154. Under all these conditions, and in the face of the continuing preoccupation with Canadian internal development, it is unlikely that there will soon develop any massive increase in Canadian corporate involvement. At the same time, it is true, as the policy paper says, that "Canadian experience with this (small and medium) scale of operation and in such sectors as food-processing, wood-products and raw-material processing is often particularly relevant to their (developing countries') requirements." (p. 21) There is, therefore, substantial scope for increasing cooperation of the most mutually-beneficial kind.

155. It must also be pointed out, however, that if potential investors were to operate exclusively on the basis of short-term competitive commercial considerations, little investment would today flow from Canada to developing countries, or it would be so buttressed by lavish concessions as to be of little or no real benefit to the host country. If developing countries which seek foreign investment are prepared to offer reasonable incentives, and stable and reasonable ground-rules for foreign investors, it seems fair to assume that the private business sector should take on its share of the responsibility for international development. A generous and cooperative approach from the outset is likely to provide a much more secure return to the investor in the long-term than are onerous terms exacted under harsh and lop-sided bargaining. Needless to say, all the conditions of "good corporate citizenship" at home are fully applicable to Canadian corporations overseas. Involvement in and support of community activities can be very important. As mentioned earlier, the secondment of skilled personnel for technical assistance activities can also be highly beneficial to all concerned.

156. Under the right conditions, the Canadian government can and should stimulate and encourage this corporate activity, and the next section discusses many of the measures available.

ii) Official Cooperation and Encouragement

157. As the policy paper notes, "a number of recipient countries now wish to increase and diversify their sources of (foreign) capital", and Canadian investors are evidently very welcome under such circumstances. On this basis, the Canadian Government has incorporated measures intended to encourage Canadian investment into the programmes of both CIDA and the Export Development Corporation (EDC). As long as such investments are geared to serve (and continue to serve) the objective of social and economic development and the mutual interests of both the host country and the Canadian investor, they are a valuable part of the development assistance programme, and a very positive element in overall Canadian relations with developing countries.

158. There are a large number of possible measures available to governments of developed countries to encourage or facilitate investment in developing areas.* In general, however, these measures fall into a few broad categories. The first of these can be described as "fiscal measures." Canada, like most other developed countries, does not offer positive tax incentives to encourage investment in developing countries, but does make efforts, on a number of fronts, to remove obstacles and specific disincentives. The existing Income Tax Act contains various provisions to eliminate double-taxation effects, and bilateral tax agreements with similar objectives are maintained with a growing number of countries. The Subcommittee has not considered in any detail the possible impact of some of the tax reform proposals on Canadian investment in developing countries. In general, however, it is considered highly important that no new obstacles be raised, and that, if possible, positive encouragement be provided.

159. The second broad category of measures for encouraging investors in developing countries are the various schemes for guaranteeing investment against "non-commercial risks". Canada moved into this area in 1969 when the Export Development Corporation was established, with an investment-insurance capability, covering the following risks: Expropriation; Inability to repatriate earnings or capital; Insurrection, revolution or war. While the Subcommittee did not hold hearings specifically on the work of the EDC, a detailed letter of inquiry was sent to the Corporation. The material received in response to this inquiry was annexed to the *Proceedings* for 15 December 1970 (See Appendices "B" and "C" to the *Proceedings* of Standing Committee, Issue No. 6). This material outlines in some detail the policies and procedures governing the insurance scheme. The Subcommittee will add only a few comments here.

160. Perhaps the most important point about the scheme is the determination to ensure that investment projects covered by it serve the economic interests of the host country and carry the full approval of its government. The recent amendment to the Export Development Act made the obtaining of host government approval a

* A comprehensive review (with details of the comparative performance of different countries) is *Investing in Developing Countries*, OECD, 1970. 120 pages.