

*The last time Prime Minister Trudeau came to our country he said that being a neighbor to the United States was like sleeping with an elephant—that you could very quickly detect every twitch or grunt. Well, the elephants are gone. The donkeys are here. And the donkeys are much more companionable beasts, I think.* PRESIDENT CARTER, February 21, 1977.

# Investments

Much of Canada's industry is owned by American firms. In 1970, foreigners (most often citizens of the US) controlled ninety-eight per cent of the petroleum industry, seventy-eight per cent of chemical production and fifty-seven per cent of manufacturing.

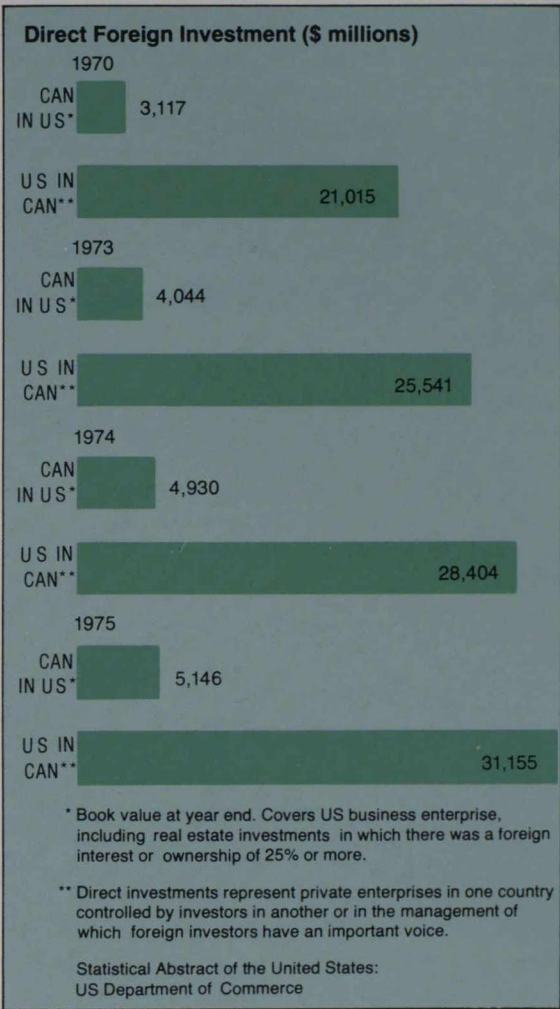
Canada has never had enough capital to develop its own natural resources swiftly. In the nineteenth century the United States was in a similar position; its population was relatively small, and its financial pools relatively shallow. Much (and in some cases most) of its heavy industry was controlled by British, French and other foreign investors.

The twentieth-century development of Canada's resources and the building of industries have required relatively heavier investment. The finding, refining and transportation of oil, for example, are much more difficult and expensive than the harvesting of forests or even the building of railroads.

It is recognized that foreign investments are still vital in Canada, and they are encouraged as long as they are beneficial to Canada. The Canadian Foreign Investment Review Act of 1973 authorizes the government to screen three types of investment: those in which foreign interests seek to acquire Canadian firms which are valued at more than \$250,000 or which have annual revenues of more than \$3 million; those in which foreign firms without Canadian connections wish to start totally new businesses; and those in which foreign firms already established in Canada wish to start unrelated activities.

Each is examined for "significant benefits" to Canada, including its effect on employment, resource processing, productivity, technological development, product variety and competition.

Some early observers believed the act could diminish American investments over a period of



time; in practice so far its effect has been slight. The Foreign Investment Review Agency has permitted five applications for every one rejected. In response to the criticism that red tape discouraged smaller investors, a shortened review process has been adopted for ventures involving less than \$2 million and fewer than 100 employees.

# Harmony

Defence co-operation between Canada and the United States began with the Hyde Park Declaration of 1941, when President Franklin D. Roosevelt and Prime Minister Mackenzie King harmonized the industrial resources of North America to meet the demands of World War II.

The defence production sharing program began after the Arrow aircraft program was cancelled in 1959 and it was evident that Canada could not afford sophisticated weapon systems on its own. The new program gave Canadian industry an equal opportunity to compete for US contracts.