

147. Another development reflecting the changing needs of these countries was the foundation in 1967 (and subsequent rapid expansion) of the Canadian Executive Service Overseas (CESO). This group, which provides senior Canadian executives as volunteer consultants to public and private enterprises in developing countries, has also received substantial support through CIDA's Special Programmes Division. To judge from the response in developing countries, CESO deserves the continuing vigorous encouragement of the Government and of the private sector.

148. One other institutional possibility, which has not yet grown up in the development field in Canada, is the private foundation. The Subcommittee has heard (and been much impressed by) testimony on the activities of these institutions elsewhere. For a variety of reasons it seems unlikely that precise Canadian counterparts will be established. The new International Development Research Centre, however, because of its autonomous structure, offers many of the advantages of the foundation structure. In many areas of development work, the officers and Governors of the IDRC will find an excellent model in the experience of these foundations.

C. Business and Industry

i. The Size and Contribution of Canadian Investment

149. In his testimony before the Subcommittee, M. Gérin-Lajoie made the following statement about the role of private investment:

"Many developing countries, with memories of their colonial experience, are suspicious of foreign business and tend to overlook the creative contribution which the free enterprise system could make to their development.

Canada, as a nation which is very familiar with the problems of foreign investment, could perhaps play a more understanding and sensitive role in this respect. Canadian private investment could, if it proceeds wisely and carefully, help to create a new image of the foreign investor as a partner rather than as a potential exploiter in the developing countries. This is no easy role to play, but I believe CIDA should make efforts to help businessmen who look upon investment in low-income countries as a genuine partnership out of which can come a shared and mutual benefit." (11:14)

150. As M. Gérin-Lajoie went on to point out, "up to now, Canada's private flow has been one of the smallest..." In fact, in 1968 and 1969, the flow of private capital to developing countries from Canada (as a proportion of G.N.P.) was the lowest among the sixteen members of the OECD's Development Assistance Committee (D.A.C.) (In 1968 the figure was .14 per cent; in 1969, .09 per cent of Canadian G.N.P.) These statistics are, of

course, a clear reflection of Canada's own internal need for development capital which, in broad terms, leaves relatively little for export overseas. Available estimates indicate that in 1967 the book-value of total Canadian direct investment in developing countries amounted to about \$750 million, of which approximately 75 per cent was concentrated in the Caribbean area.

151. One immediate need, if Canadian private investment is to work toward the ideal outlined by M. Gérin-Lajoie, is for much-improved information, so that governments and the public, both in Canada and in developing countries, can have some accurate idea of the extent and location of the holdings of Canadian-based investors. Lack of adequate disclosure tends to feed suspicions in developing countries and strengthen the hand of the opponents of foreign private investment. From the Canadian viewpoint, the lack of detailed knowledge about the operations of private investors can severely reduce the effectiveness of other efforts, official and private, at development cooperation, and can seriously hamper or even undermine Canada's overall image and policy in the country concerned. Adequate disclosure of the activities of Canadian corporate nationals is, then, a pre-requisite to an atmosphere of trust and good-will and to the kind of "genuine partnership" sought by M. Gérin-Lajoie. Provisions for proper disclosure should be among the conditions placed on investors receiving Canadian official incentives and subsidies. Measures for compelling disclosure may have to be considered in cases where secrecy by Canadian corporate nationals begins seriously to impair other private or official interests.

152. The relatively light flow of Canadian private investment in the past presents an opportunity, in most developing areas, for Canadians to adjust to the new conditions prevailing for foreign private investors. Many of these new conditions, relating to the type and scale of enterprises involved, and to "good corporate citizenship" in general, are closely paralleled by growing concerns among Canadians.

153. In the past, Canadian-based investment in developing countries (like that of other developed countries) has been concentrated in resource industries, utilities, financial institutions, and tourist facilities. In Canada itself, all of these sectors are increasingly being recognized as sensitive areas where foreign ownership and control must not be allowed to become excessive. Accordingly, many of the developing countries are now seeking different types of private investment and, as the Policy Paper states "many are now at a stage in their development which require small-scale and medium-scale industrial enterprises." (21) With this type of operation, the host country can obtain the most important benefits of foreign investment, without incurring its most serious costs. These enterprises can produce substantial new employment and stimulation of ancillary economic activi-