

to be to find a way to maximize the benefits of foreign investment while minimizing the costs. To attempt this neat trick, Gray's Working Group suggested a mechanism to review proposals by foreigners to invest in Canada to see whether the projects served Canadian interests. The Liberal government accepted the suggestion in part and established the Foreign Investment Review Agency (FIRA). The agency's mandate was not to prevent or even limit foreign investment, but to ensure that it would provide employment for Canadians, encourage research and development in Canada, open foreign markets for Canadian products, or serve some other Canadian interest. If the proposal did not appear to serve such Canadian ends, the agency could negotiate with the foreign investor to obtain, if possible, an improvement in the project. This process explains why FIRA always approved far more investment proposals than it rejected.

The economic nationalists tended to ignore the qualified conclusions of the two federal studies. They seized upon the evidence that foreign investment could indeed cause problems, passed lightly over the view that in other respects the investment was necessary and beneficial, and largely ignored the fact that events in Canada were related to an international process of change. Many complained that FIRA was an inadequate response to the problem, arguing that foreign control in Canada was rising rapidly, that US corporations were "deindustrializing" Canada by moving jobs south of the border, and that Canada was losing its ability to manage its economic affairs because major business decisions were being made in New York, Chicago or Houston instead of in Toronto, Montreal or Vancouver.

With these alarming ideas, the nationalists were able to raise considerable public concern, and to exert pressure upon politicians. It is apparent now, however, that their fears were misplaced or at least exaggerated. The proportion of the Canadian economy under foreign control peaked in the mid-1970s and has been declining ever since. "Deindustrialization," which is a shorthand term for the very real problems of the manufacturing industries, turned out not to be a plot by US multinationals against Canada, but the result of an international trend to shift production of standard goods from high-cost plants in the affluent democracies to lower-cost plants in Japan and in developing countries just entering the industrial age. This new division of international labor has proved to be just as much of a problem for the United States, which has relatively little foreign investment, as it has for Canada. As for the worries about the nationality of corporate control, they receded into the background as the 1970s continued and it became apparent that the great problems of inflation and recession affected all the developed countries without regard for who owned what in the corporate world. None of this is to say that foreign ownership and control did not present real problems. They did, and in some sectors problems still remain. Canada still has to make difficult adjustments to a changing world economy and to changing concepts of sovereignty. The criticism is that the economic nationalists tended to misunderstand the problems and to promote the wrong solutions.

### Coalition of nationalists

One of the reasons that the economic nationalists were able to lead public opinion so effectively was that they were allied with cultural nationalists, particularly those in publishing and broadcasting. These artists and entrepreneurs — writers, editors, publishers, radio and TV performers and station owners — were concerned for two reasons by the competition from US books, magazines, TV programs, films and other products. First, they feared that the US imports would overwhelm the Canadian identity they were seeking to define and express in their work. Second, they felt their careers and business enterprises threatened by US products that were in effect dumped in Canada at low prices. For example, the popularity of US magazines produced at huge expense for the vast US market and then shipped into Canada made it hard if not impossible for a Canadian magazine to compete for general readership. The appeal of US television stars and the resources lavished on production made life tough for Canadian producers working in a smaller market. The waves of paperback books pouring into Canada crowded out the efforts of Canadian writers and publishers. And Canadian academics trying to develop Canadian studies in schools and universities often resented the influence of US textbooks and of US academics teaching in Canada.

Fearful for Canadian culture and for their place in it, these nationalists tended to make common cause with the economic nationalists, adopting, popularizing and distributing the often technical arguments against foreign investment and control. Few of the cultural nationalists, however, were prepared to urge a ban on the importation of US cultural products in the way that economic nationalists were urging a ban on investment, because it would have been seen as an unacceptable interference with the free flow of ideas — censorship, in fact. There was also the awkward fact that the Canadian public enjoyed US products and would have objected strongly to any attempt to forbid access to their favorite magazines, television programs and films.

And so the cultural nationalists in the main were content to ask the federal and provincial governments to give them the resources with which to compete with US products. The requests were not unreasonable because the Canadians clearly were faced with unfair competition from the United States, and the governments responded with a variety of grants, subsidies and tax advantages. The result was a boom in the Canadian cultural industries without any serious interference with the flow of information and entertainment from the United States. Canadian literature flourished as publishers, old and new, sought out and promoted promising writers. New magazines appeared and some survived. The number of theatrical companies multiplied, as did the production of Canadian films. New radio and television stations appeared and regulations ensured that they broadcast a quota of Canadian material. This was all splendid in terms of cultural activity and employment in Canada, but it would be hard to argue that the Canadian culture is now better defined or the identity now more secure. Canadian consumers obviously enjoy much of the new production, but they continue to be avid consumers of US cultural products.