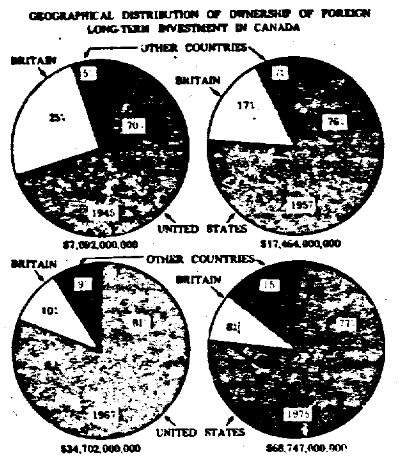
Foreign Investment

Canada's doors always open

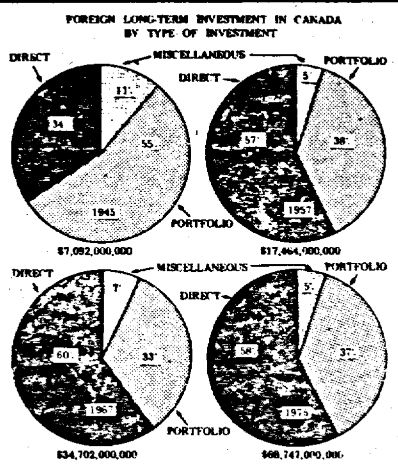
"Throughout Canada's history foreign capital has made a vital contribution to the development of our industrial structure and resource industries. Frequently, foreign capital brought with it technical and managerial expertise that would not otherwise have been available to Canada. As well, it gave rise to new industrial and trading opportunities. The prospects for the future are no less promising . . . The Government, therefore, recognizes the important role that foreign capital will play in the future development of the Canadian economy."
– Hon. Jean Chrétien, former Minister of Industry, Trade and Commerce.

Canada has always needed foreign capital for exploration and development as the country is just too big and the population too small to generate all the investment capital required. Thus over the years Canada has been among the most open in the world to foreign investors.

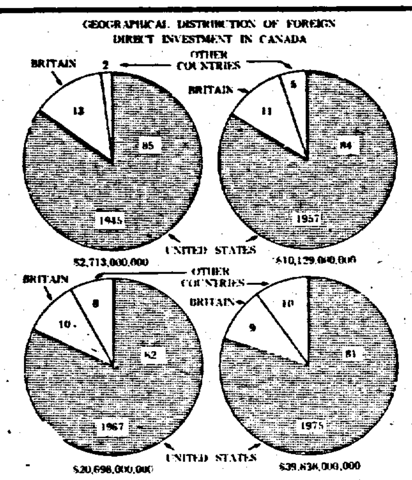
From Confederation until just prior to World War I a large part of this capital came from Britain in the form of debt securities to finance railways and other large-scale investment projects. By 1926 the United States had supplanted Britain as the major supplier. Following World War II Canada - U.S. trade and investment links grew at a prodigious rate.



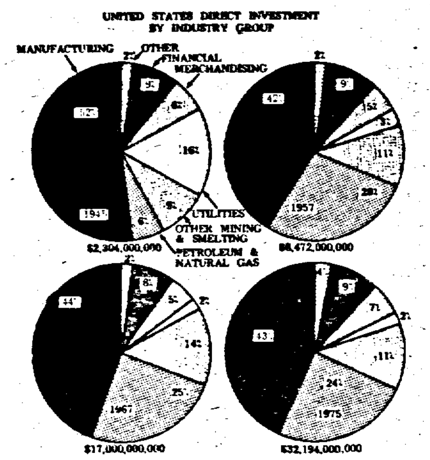
Total long-term investment in Canada today is ten times what it was in 1945. *Britain's share continues to shrink* as other countries increase, but the U.S.A. still has the largest piece of the pie.



Up to the 50s, portfolio investment exceeded direct investment but after the Second World War, with the expansion of industry and resource exploration, the pattern was reversed.

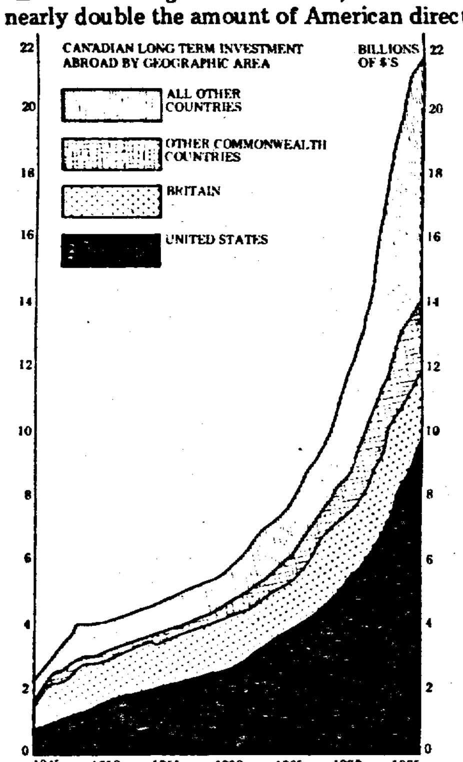


In 1975, American capital accounted for about $32 billion, over one third more than the total from all sources eight years earlier.

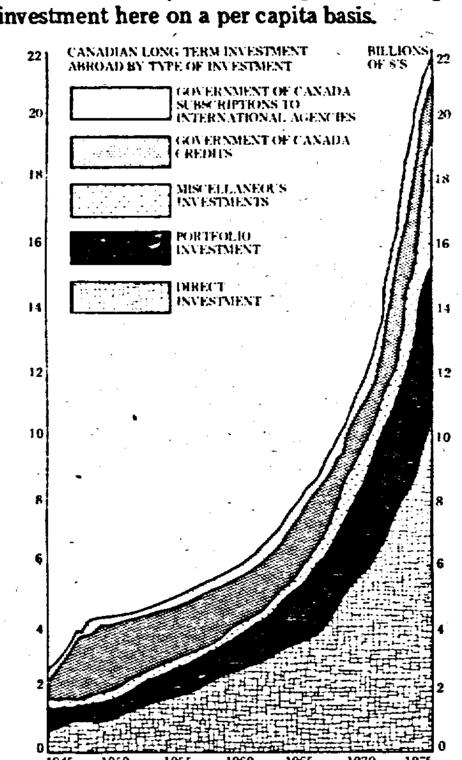


American direct investment was concentrated in manufacturing in 1945, but more was put into petroleum, natural gas, mining and smelting, as these industries grew.

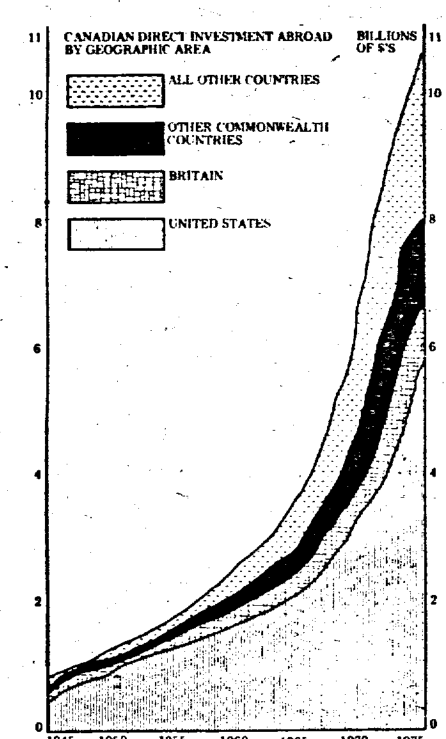
As the following charts illustrate, Canadians also invest abroad, with the largest amount going to the United States. In 1975, Canadians held almost $6 billion there in direct investments, nearly double the amount of American direct investment here on a per capita basis.



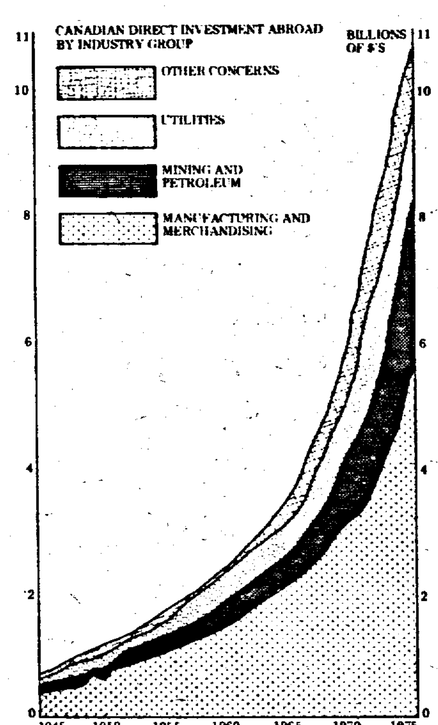
In 1945, the bulk of Canadian investment was shared almost equally by Britain and the U.S.A. 30 years later, the U.S. portion is almost unchanged, Britain's share has shrunk to 11%, and an increasing amount is going to other countries and Commonwealth nations.



Half of Canadian long-term foreign investment is in direct investment and 20% in portfolio, with the balance largely in miscellaneous and federal credits such as deferred interest on loans to Britain and United Nations bonds.



The United States gets over half of Canadian foreign direct investment and, although not shown, the lion's share of portfolio investment - total $9.5 billion.



Canadian foreign direct investment has been concentrated in mining and manufacturing. In all areas, with the exception of utilities, the United States receives the major share.

Made in Canada

Because of the high level of foreign direct investment, in the mid-Fifties there was considerable controversy over the issue of foreign, and particularly U.S., ownership and control of Canadian industry. Yet, for a country like Canada, lacking sufficient financial resources for fully independent development and some of the know-how and the technology needed in its industrial sectors, a continuing inflow of capital investment from abroad was, and is, an important contributing factor in rapid economic growth.

Therefore after extensive study, the Government rejected the calls of the more radical Canadian nationalists for drastic curbs on foreign investment and instead, in 1973, passed the Foreign Investment Review Act.

Quality... as well as quantity

The Act established a screening procedure for the foreign take-over of existing firms and the establishment of new foreign-controlled businesses. It is not intended to block investment