Canada supports open international trading environment

Canada adheres to the principles of free trade and accessibility of international investment as well as other developed industrial countries, Minister of State (International Trade) Gerald Regan told the Bankers' Association for Foreign Trade in San Juan, Puerto Rico, on April 13. Excerpts from the minister's speech follow:

...In almost every sector of the economy Canada has permitted a higher percentage of foreign ownership than any other industrialized country. While foreign control of non-financial industries in Canada has declined in recent years, it remains at 27 per cent, the highest in the industrial world. It is particularly high in important industries: oil and gas — about 60 per cent; transportation equipment — 70 per cent; electrical equipment — 60 per cent; and mining — 38 per cent. In the US foreign investment controls about 2 per cent of non-financial industries: 18 per cent of petroleum; 5 per cent of mining and 3 per cent of manufacturing. While 19 of the 50 largest firms in Canada are foreign controlled, this is the case for only two out of the largest 50 firms in the USA. The stock of foreign investment is now higher in the USA than Canada, but of course the USA economy is ten times as large. The US has six times as much foreign investment in Canada, comprising 80 per cent of the total, as we have in the USA.

Again, we have allowed as great or greater access into our market of the foreign goods than most other countries in many sectors. Because the Canadian industrial structure is not as diversified as other larger countries, Canada generally imports a greater percentage of manufactured goods in relation to its total needs than other countries.

The policies adopted by countries will vary greatly depending on their economic size, commercial competitive advantages, position as capital importer or exporter, or host or home country to multinational enterprises (MNEs) and their international political role and perceptions. Canada and Australia, as primarily host countries to foreign investment, employ investment screening mechanisms and may restrict foreign involvement in some sectors for cultural or economic reasons. The investment restrictions of large home countries, like the US and Britain, are often on a sectoral basis and involve considerations of security and defence as well as economic considerations. France and Japan employ a variety of administrative measures to protect their trade and investment interests.

Minister of State (International Trade) Gerald Regan.

These differences in circumstances and policies must be considered when attempting to define international norms of behaviour: within the General Agreement on Tariffs and Trade (GATT) system with respect to trade and in the various Organization for Economic Co-operation and Development (OECD) and UN investment instruments which include guidelines for MNEs and principles of fair and equitable government treatment of foreign investors.

There are no absolute rights and wrongs. There must, however, be a balance of interests among states that recognize their national responsibilities and the desirability of a relatively liberal international trade and investment climate. MNEs must commit themselves to contribute to development by following the laws and policies of the countries in which they operate, and international guidelines. This co-operation can minimize excessive or ill-considered economic nationalism that can have negative effects or lead to disaster.

I want to spend a few minutes explaining a number of Canadian policies in the investment area, including the Foreign Investment Review Agency and the National Energy Program. We do not consider that Canada's policies are particularly unique. While they have raised some controversy in the international business community, the concern about our policies was probably at a maximum about a year ago. Since then, the difficult international economic circumstances, a realization that many other OECD countries employ measures to achieve goals similar to Canada and our own efforts to streamline and explain our own policies, have accounted for these improved perceptions.

International investment

Canada's economic development strategy has always been a pragmatic one, free of ideology, relying upon both international investment and public enterprise to supplement private domestic investment. The railway sector in Canada, comprising publicly-owned Canadian National Railways and Canadian Pacific Railways, the largest investor-owned railway which nevertheless had both government support and foreign investors, is an example of this tradition. A more recent example of this "Canadian" approach to development is the establishment of Petro Canada as a public corporation competing with private companies, both domestic and foreign owned, in the oil and gas sector.

This pragmatic approach to development has served Canada well and has certainly not deterred international investors from taking a stake in Canada. No other country in the industrialized world — and probably in the whole world — has relied as heavily on the process of international investment, sustained it as effectively and benefited from it as continuously as Canada has over recent decades. It is little wonder then that Canada supports a positive environment for international investment.

Stated another way, Canada welcomes foreign investment that will bring significant benefit. We are also particularly interested in MNEs in Canada being good corporate citizens along the lines set out in the OECD guidelines and our own domestic guidelines: by engaging in economically viable export activities; sourcing in Canada where competitive; carrying out independent research and development in Canada; providing equity participation and management responsibility to Canadians; providing significant management independence to the Canadian enterprise; and seeking to use profits and resources generated in Canada to the benefit of the Canadian economy.

At the same time the high levels of foreign investment in Canada have led to