tional businesses is increasing throughout the world, at least in the industrialized parts of it, and a number of countries are interested in the questions we intend to analyze here.

The principal areas of harmony between multinational enterprises and governments are to be found in the realm of economic growth, for the task of ensuring economic growth has been entrusted by modern societies to their governments. Multinational enterprise, however, is making its own contribution to the pursuit of this objective by the activities in which it is engaged and because it represents a "conglomerate" of produce, technology, administrative talent, capital and access to foreign markets.

With regard to the formation of capital, it is often maintained that financing the development of some country is impossible because of insufficient savings. This argument has often been heard in Canada, so that a good many people think that the importance of the contribution made by foreign capital is such that Canada could not get along without it.

Actually, however, if you wish to set a value, from this point of view, on contributions made from abroad, you must be aware of the way in which foreign investments are financed. According to the document known as the Gray Report, for example, about three-quarters of all foreign investments in recent years have been financed either by reinvesting profits, by providing for write-offs or by borrowing on the Canadian market – and this, after all, amounts to using Canadian savings. Thus, if insufficient attention is paid to these distinctions, there is some danger that too high a value will be set on the contribution made by other countries.

Country's access to foreign markets most certain in resource field

Even though the extent to which a country depends on foreign savings is not as marked as is sometimes thought, such dependency is in no way prejudicial to the host country's ability to produce the other components of direct investment – namely, technology, administrative "know-how" and certainty of access to foreign markets – to the same degree. A country's access to foreign markets is most certain when development of its natural resources is concerned. As regards technological contributions, it is expected that the results of the considerable outlay of such countries as the United States, Germany, France and Britain for research and development will sooner or later be placed at the disposal of subsidiaries of companies located in those countries: it is also expected that new products will be introduced more rapidly in the host country than would be the case if local producers alone could be counted on. For these reasons, a great many countries have been more eager to welcome investments that involved some new "know-how". Even though it may sometimes be possible to obtain foreign technological knowledge in some way other than by direct investment on the part of the multinational enterprise, large American companies have shown a very marked preference for 100 percent ownership of their affiliates wherever possible, and some governments have perhaps come to the conclusion a little too readily that, in order to obtain technological benefits, they would have to agree to extensive participation by the parent company.

Regional development

A second area of harmony between the multinational enterprise and government has to do with regional development. It is well known that attempts have been made, especially in Europe and in Canada, to arrange for a geographic deconcentration of industry in an effort to do away with what are known as regional disparities. Sometimes we find that foreign enterprises, which are free from any sociological attachment to particular locations in the countries in which they are set up, have been more responsive than national businesses to tax incentives designed to encourage them to locate in certain regions. But we still have too few examples to enable us to attribute automatically the reduction in regional disparities to the presence of the foreign firm. There is no doubt that the same is true of disparities between countries.

It is also thought that the arrival of foreign firms will serve as a stimulus to home companies because of the increased competition the latter will have to face. Such reasoning, to put it simply, is as follows: foreign enterprises enjoy certain advantages – good financial standing, cheaper advertising, management by the main branch, technological knowledge. These advantages will result in lower costs and a tendency to a reduction in prices and an increase in sales. Home companies, as opposed to multinational ones, will thus be obliged to make the necessary adaptations and, if they want to be in a position to meet the increased competition, this should be an inducement to them to make a greater effort in the fields of research and increased productivity. In this connection, all that can be said at the moment is that, although it is possible to find a number of examples in the world of important innovations intro-