

increased by nearly \$44 billion, of which nearly \$27 billion or 62 percent was due to increased direct investment. Although portfolio investment was again relatively stronger in 1975 and 1976, the proportion of direct investment in the total stock was still 58 percent at the end of 1976. By comparison, only 40 percent of other foreign investment was direct investment. One consequence of the size and age of U.S. direct investment is its ability to grow from earnings generated in Canada. In recent years retained earnings of subsidiaries have been the principal source of additions to foreign direct investment"

Joan Gherson, an economist with the Research and Analysis Branch of FIRA.

Economic Strategy and Foreign Investment

The economic development plan for the 1980s tabled by the Deputy Prime Minister and Minister of Finance Allan MacEachen in the House of Commons on November 12 included the statement that "The special measures being employed to achieve more Canadian ownership and control of the oil and gas industry are not, in the Government of Canada's view, appropriate for other sectors."

On the subject of FIRA it stated that:

" . . . the Agency has enabled the government to ensure that Canadians as a whole are in a position to benefit from the new foreign direct investment that continues to be welcomed here. At the same time, the review process has provided a fair and impartial treatment of all foreign investors regardless of nationality. The government wishes to ensure that the administration of the Act is timely and efficient. A review of administrative procedures is now underway to establish what changes in these procedures are warranted on the basis of the first seven years' experience.

"In the Speech from the Throne in the spring of 1980, reference was made to three specific measures, two of which involved changes to the Foreign Investment Review Act. For the time being, no legislative action is intended on these measures until progress on the major initiatives already undertaken by the government has been assessed.

"The government's objective is to ensure that foreign-controlled corporations and their Canadian counterparts alike contribute fully to the development of an innovative and internationally competitive industrial structure, pursuing Canadian objectives in areas such as research and development and international marketing with

equal vigour. The guiding principle of FIRA is that foreign investment must be of significant benefit to Canada. It is a principle that should be easily adhered to by good corporate citizens."

A Matter of National Interest

Excerpts from a speech given last September by Secretary of State for External Affairs Mark MacGuigan to the Center for Inter-American Relations in New York.

"Canadian governments have historically felt the need to intervene in national life to knit together and develop a huge, under-populated and in some cases forbidding land. Among the results are national television and radio networks, national airlines, the Canadian National Railway family of companies and a host of other government undertakings The need for . . . government intervention in the Canadian economy remains to this day.

"Government involvement represents a pragmatic . . . response to particular circumstances. The private sector has been and will remain the driving force behind Canada's economic development. We share with you the perception that one of the best guarantors of a free society is a free economy. But Canadian governments, at the provincial as well as federal levels, are at ease with . . . judicious intervention.

"Canada's economy is a tenth the size of yours, and is more heavily dependent on primary resource industries. The manufacturing base in Canada is narrower and is significantly foreign-controlled. In the past twenty years, the public debate . . . has centred on the question of foreign ownership.

"While Canadians acknowledge the benefits, it became clear after a decade of study . . . that there were very significant *costs* involved as well.

"In 1974 the Government established a foreign investment review process, to screen foreign investment

"Canada chose to deal with the problem totally in accordance with our international undertakings. There has been no question of nationalization, confiscation or forced sale. Foreign investors have simply been told the conditions under which they would be welcome.

"And I should emphasize the notion of welcome. Canada needs and wants foreign investment which will benefit all parties concerned. Foreign companies and individuals will continue to do business profitably in Canada. I don't believe that those who are complaining about our policies are in fact arguing that they have lost money on their investments. Certainly *not*. And by comparison with other countries, there are very few more secure places to invest money than Canada."