

Nova Scotia in the world economy

by Bob Flute

At a business seminar in London, England in early 1977 and attended by Premier Gerald Regan and Dean Salsman, President of Nova Scotia's crown corporation for development, Industrial Estates Limited (IEL), the Premier said, "It is important that Nova Scotia has to sell itself." Ironically, the Premier hit the nail right on the head. Given what he wishes to sell, and to whom, his answer to the province's economic difficulties may well be the very source of those difficulties.

According to Dean Salsman: "The Premier and the Government of Nova Scotia today believe in supporting the free enterprise system and today we assign top priority to industrial development." In particular, "We in Nova Scotia want to assure you that we welcome foreign investment and have some wonderful experiences with foreign-controlled companies." In Salsman's view: "I don't think it matters to any great extent who owns industry as long as we are not being exploited or manipulated." This objective of redressing regional inequality on the basis of an industrial development strategy using foreign investment has been a priority for successive Conservative and Liberal governments over the past two decades. This strategy has not brought success. The present government nevertheless remains committed to this strategy. But what remains unknown are the political and economic costs associated with foreign investment.

The economic costs

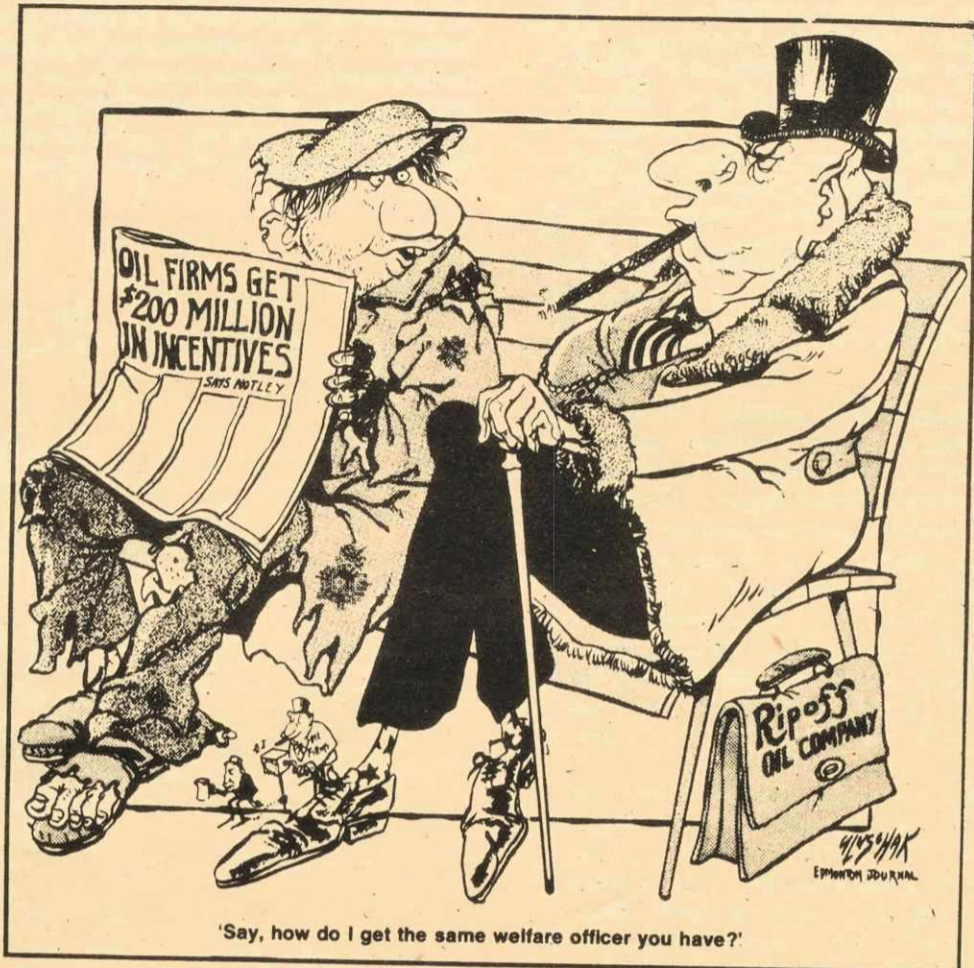
What are the economic costs? To start with, we must remember that the various parts which make up the international economy are related to and dependent on each other. Virtually all the regions and the countries of the world are tied together economically because they rely on each other for certain products, whether they are bought or sold. In the economic exchanges that occur, however, we now have ample evidence to show that some regions and countries gain more at the expense of the others. Within Canada, the economy of Nova Scotia is not in a favourable position. Following Confederation, the provincial economy has become increasingly subservient to the requirements of the national economy, which for the most part is located within the Quebec City-Windsor corridor. Further, in the world context, the economy of Nova Scotia is in an equally disadvantaged position. While Nova Scotia governments may be genuinely concerned to raise income levels and provide more stable employment opportunities, they have nevertheless used means which are based on erroneous calculations regarding the attraction of Nova Scotia to foreign investors.

The costs of foreign investment for Nova Scotia in pursuit of industrialization are attracting the attention of more and more people. This is particularly the case when the prime suppliers of investment are large transnational corporations. As their name implies, these corporations operate across national boundaries on a world-wide basis, and do not restrict their activities to only one country. In Nova Scotia, this growing awareness of foreign investment costs is largely the result of recent failures of the province to expand its industrial base.

The erosion of provincial power

Both federal and provincial governments lose much control of the economy in their negotiations with transnationals. For example, the government development agencies which have been created to stimulate economic growth in Canada's poorer regions provide foreign investors with very generous incentives either in the form of direct grants or loans. DREE pays out direct grants while Nova Scotia's Industrial Estates Limited supplies loans. But the money these agencies dispense with is public money. In many cases, transnationals have benefited at the expense of more local, home-grown industries. As such, governments are forfeiting the right of Canadians to invest in and thereby control their own economic future.

The transnationals affect home-grown industry



'Say, how do I get the same welfare officer you have?'

adversely. Even if individual branch plants appear not to make a profit, it is of little consequence, because one of the primary purposes of these branch plants is to represent the interests of the parent company (Michelin in Nova Scotia is an example). This they achieve by control of overseas markets. Control of markets is a prime determinant of the foreign investment decisions made by transnationals. Once control has been established they are in a far better position to fix prices. Because the prices have no relationship to local market conditions, home-grown competition can be undercut and eliminated.

Technology

Transnationals often bring with them their own technology. This has the effect of retarding the growth of local technology. This technology is expensive and greatly adds to the import bill. Further, it is capital-intensive and does little to create new employment. Because the technology is expensive, large amounts of public money are tied up over long periods of time. Hence, once the decision has been made to accept transnationals, it is extremely difficult, at least in the short term, to change to an alternative strategy if the activities of the transnationals do not bear fruit for the local economy.

We must also consider the impact of industry on the local environment. We are now beginning to recognize that development means more than just economic growth. We should worry when in their own defence, corporate managers say that it is not their business to be worried about quality of life and social justice. It is ironic that relaxed environment controls, and a trouble-free labour force are usually preconditions set by transnationals before they set up their operations. When governments seek to entice transnationals into their territories, they must frequently sacrifice their environmental concerns.

The nature of transnationals

Transnationals locate in the province or country which gives them the best deal. Two points might be kept in mind here. Firstly, transnationals go in for very systematic and comprehensive planning. The abundance of skills they possess in this area makes them ruthlessly efficient at it. Therefore transnationals know exactly the advantages to them of locating in one area as opposed to another. Secondly, transnationals have one principal long-term objective

—the survival of the corporation. Thus, the interests of the transnational do not correspond to the interests of the host economy, irrespective of the country. However, transnationals rarely request permission to enter a country; on the contrary, they are usually invited. The governments of the poor countries are often more desperate than the government of Nova Scotia. Hence, transnationals can without much difficulty transact bargains very favourable to themselves. It should not surprise us then that in recent years there has been a steady migration of transnationals from many of the rich countries to the poor countries.

It should by now be clear that continued reliance on transnationals and foreign investment largely determines, and hence limits, the range of alternatives that Nova Scotia governments have at their disposal in attempting to improve the province's economy. Furthermore, we know from the operations of transnationals in Africa, Asia and Latin America that there are grounds for arguing they have actually heightened, not lessened, poverty. Their operations increase income inequality within countries. In Canada too, the income gap between the rich and the poor provinces is increasing. Why do we continue to rely on foreign investment if it is one cause of this widening gap?

The loss of options

One outcome of government policy, albeit unintended, has been the gradual erosion of the public's prerogative to freely choose the shape of their own futures. Where we go in the future is now determined by people outside of the province. Salsman states the case incorrectly when he argues that "governments are capable of controlling the actions of anybody in industry if they deem it necessary." Realistically, the Nova Scotia government is in the back seat of a vehicle controlled by foreign investment.

Getting back to the basics of fishing and farming is still possible (R. Surette, *Atlantic Issues*, Vol. 1 No. 1), but the chance of this being meaningfully considered by those in control is rapidly diminishing. One can only regret the fact that both the major political parties in this region have basically the same development strategy. As a result, there is very little serious debate on these issues.