The increased role of MNEs in world trade flows has been an important factor in government attitudes towards foreign investment. MNEs sometimes organize operations in a manner that may conflict with the attainment of national objectives. For example, the parent corporation may attach onerous export, procurement, licencing or franchising conditions to the operation of its foreign subsidiaries. Subsidiaries may also be affected by home country laws such as strategic export controls, fiscal policy measures or anti-trust laws. Canadian law and practice is thus geared to ensuring that MNE activity in Canada is of significant benefit to Canadians and Canadian economic objectives.

Because of the continued need for a significant amount of capital from off-shore for major resource projects, infrastructure development, and modernization and expansion of manufacturing capacity, policies on foreign investment must strike a careful balance between the need for the high levels of investment required to remain competitive and the need to ensure that foreign investment benefits Canada. While all levels of government have actively sought foreign investment for specific sectoral and regional development purposes, the federal government has introduced measures to address concern about the extent of foreign ownership in particular sectors and to ensure that the terms and conditions of such investment are beneficial to Canada. In some specific sectors, such as energy and communications, such policies are promoting a greater degree of national ownership, control and identifiable benefit to Canada. The trade aspects of these actions (and similar policies in other countries) have given rise to increasing international concern, particularly in the United States. When examining problems raised by foreign investment, distinctions must be drawn between issues raised by new, direct foreign investment, portfolio investment, and foreign takeovers of existing investment. Each requires a different response. Canadian policy regarding foreign investment has been largely directed at new, direct investment. Policy addressing this issue in the 1980s must thus be sensitive to the need for off-shore capital, as well as to the impact of measures designed to increase Canadian ownership and influence the behaviour of MNEs on relations with key trading partners.

In this regard increasing concern has been expressed as to whether FIRA runs counter to the desire to increase Canadian competitiveness, particularly as it affects new, direct investment. This is a theme struck repeatedly by the private sector. There were allegations that FIRA has been used to shield existing Canadian enterprises from the competition of prospective new investors. There is the concern that FIRA operates on the assumption that significant Canadian benefit is not necessarily coincident with the best business judgement of the investor. There is the matter of trying to persuade foreign firms to settle in locations that may not be the most efficient or economical locations for the purpose of longer-term competitiveness. There is the issue of commitments to procure from Canadian sources currently under challenge in the GATT. Finally, there is concern with the FIRA process itself which may discourage some promising firms, particularly those of medium size, from seeking to establish themselves in Canada. To a large extent the streamlining of FIRA's procedures have met the concerns of the business community. Decisions are becoming more transparent and changes have been greeted positively by potential investors. Consideration of the US complaint regarding Canadian "content requirements",