Canadian point of view. This actual or potential conflict of interest could take many forms. First, it has been argued that the opportunity for Canadians to gain senior management positions in foreign-controlled firms is limited, and that this exclusion has the double effect of limiting the development of Canadian management resources and ensuring that the decisions taken by the subsidiary conform to the parent's interest.

The facts do not seem to bear out the fears expressed on this point. A study by your Department of Commerce shows that, of the 35,000 supervising, professional and technical personnel in U.S. direct-investment companies in Canada in 1957, only 1,000 came from the U.S.

I mentioned earlier the concentration of foreign investment in the manufacturing, mining and petroleum industries. In 1962, the latest year for which we have figures, of the 138 corporations in these sectors which were at least 50 per cent foreign-owned, and with assets of $25 million, 103 had presidents resident in Canada and over half of these were Canadian citizens. And over four-fifths of the resident senior management positions of these companies were held by Canadian citizens....

EXPORT BARRIERS

It may very well be true that Canadian manufacturers find it difficult to export abroad. What is incorrect is to assume that it is foreign ownership that makes it difficult to develop external markets. The hard fact is that there are economic and legal barriers which often make it difficult for firms in Canada to compete effectively abroad. This is as true...for Canadian-owned firms as it is for foreign firms.

Many secondary manufacturing subsidiaries in Canada have higher unit costs than their parent company and effective export competition with comparable United States producers is often not possible, except when there are markets with tariff preferences extended towards Canada which are not extended to the U.S.

In fact from an export point of view Canada on the whole probably benefits largely from foreign investment in Canada – partially because the existence of subsidiaries excludes competition from the parent firm in the Canadian market, and partially because of the research, administrative and market advantages which often accompany foreign ownership.

...A further charge often brought against foreign direct investment is that it creates a branch-plant economy in which research and development are conducted by the parent company in the U.S. to the detriment of the development of a research capacity in Canada....

CONSTRAINTS AGAINST ABUSE

I have reviewed a number of what I consider to be the more serious common myths of foreign investment, in the Canadian context at least. To the extent that any of these carry an element of fact, obviously one must take care. But to my mind the emphasis must be on developing the advantages to the nation or area of foreign investment, not on restricting the investment itself. To a great extent there are natural constraints that ensure against abuse. Let me demonstrate this with a few examples:

(1) American investment in Canada is the result of many individual ventures, not the result of a planned take-over.

(2) American, like Canadian, business is largely in the hands of professional managers who realize that for continued success their firms must carry some responsibility for the welfare of their employees and for the citizens of the local environment as well as for the stockholders.

(3) Professional managers are extremely conscious of the necessity to run their operations as corporate citizens within their local environment.

(4) There is a shortage of professional managers, and no American or Canadian company will deliberately seek to deprive itself of this much-needed talent by sending it to a foreign operation, if local talent is available. If there is a complaint, it is that Canadian talent is sometimes transferred to American operations, rather than the reverse.

(5) Business decisions are decided by economics, but with considerable regard to political considerations. It is not only likely, but may well be often the case, that a decision by an American company operates in favour of a Canadian company and the Canadian economy.

(6) Companies are run by people – human beings, not idealogists. There are as many differences of opinion between the head offices of an American company in New York and its subsidiaries in Kansas or Texas, as there are with those in Toronto or Vancouver. If there are company decisions taken that appear to be contrary to a local interest it is not because someone in a head office has a policy to run down the local area, but because that is the decision that makes most sense in the overall context....

What I am really suggesting is this. The apparent disadvantages of foreign investment, if not refuted, are certainly far from clear, whereas the advantages of foreign investment are clear even if difficult to qualify statistically.

Foreign investment brings to Canada not only needed capital, but also access to technology and research, management skills, and markets which it would not otherwise obtain, or obtain only with difficulty. In other words, foreign capital does what Canadians alone would do both less efficiently and more slowly.

What is required is to establish goals of national development and designing fiscal, monetary and commercial policy in such a way that the interests both of Canadian-owned companies and foreign subsidiaries will direct them to their accomplishment. The governmental role will necessarily be large but realistic and not doctrinaire. The restructuring of the Canadian economy to concentrate more sharply on those activities in which we possess relative advantages will not benefit all firms equally, and some it will not benefit at all. Government activity will be necessary, both to prevent the establishment of monopoly positions, and to ensure that the costs of restructuring the economy are borne equitably....