

While I have not investigated this matter fully, I believe that there is evidence to show that the reverse is also true. Foreign-owned manufacturing enterprise established in Canada to produce unique products for world markets, or at least North American markets, have a good deal more independence. One would expect this to be so. To produce specialized products requires back-up at all stages of design, development and marketing, which requires independent decisions for successful performance. It would simply not be practical business to provide such back-up by remote control. Directors and management associated with such operations are bound to develop attitudes and capacities which make for industrial independence.

It has often been observed that foreign ownership (and hence control) of Canadian business has been an essential feature of our industrial expansion because of the dearth in Canada of equity capital - and especially large concentrated blocks of equity capital capable of financing large-scale risky enterprise. Certainly this has been true of earlier periods of our history, and to some extent remains true today. At present, the problem of adequate financial resources, I suspect, is less a matter of total savings and investment than of the forms of these savings and of the attitudes of financial institutions which have responsibility for the deployment of investment capital. The shortage of pools of equity capital has been felt particularly in the financing of large resource projects, and also in situations where existing Canadian enterprises have to be sold. The proposal to establish a Canada Development Corporation and the recent creation of provincial institutions with similar purposes may contribute to overcoming these gaps. The emergence recently of large private-investment companies in Canada and the change in the Insurance Act should also help. These are a beginning, but more will have to be done.

It would be a mistake, however, to attribute too much to the shortage of equity capital. Foreign direct investment is more than a matter of providing equity money. Along with it has come design, technology, entrepreneurial ability, assured markets, and many other elements which combine to make a successful business enterprise. In these matters we will have to do better in the future than we have in the past. In the matter of building up our capability in Canada for design, research and development, and technical know-how, I am hopeful that the new Federal Department of Industry will be able to make a useful contribution. A start has been made in this direction, and I am pleased to say that a number of important programmes have been introduced and others are now in the course of preparation.

In the matter of trained business personnel, professional managers and entrepreneurial talent, we will have to turn to you, the leaders and prospective leaders of our business educational institutions. For, in the last analysis, almost all our problems are problems of people, and we will have to work hard and quickly if we are to keep up with our competitors abroad.

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