

Interdependence

Former U.S. Ambassador to Canada Thomas Enders spoke on FIRA in a speech at Stanford University, May 3, 1979.

"Canada/U.S. relations will not work well if we feel that we are prisoners of our interdependence, not its masters.

"How can we retain control? There are a variety of means. One is to recognize the need for such national safeguards as Canada's Foreign Investment Review Act (FIRA) and the U.S.'s countervailing duty authorities. It was feared that FIRA might act as a barrier to new incoming investment in Canada. But rather it has applied its mandate—to assure benefit to Canada in investment proposals. Its current approval rate of 90 per cent is an indication of the quality of proposals it receives. I can understand how Canada, relying as heavily as it does on outside investment, feels the need for having such a mechanism to insure that its interests are identified and met."

Price Waterhouse Report

The investment firm of Price Waterhouse recently surveyed the non-tax restrictions on direct foreign investment in seventy-three countries.

It had this to say about Canada:

"... traditionally foreign investment has been welcomed in Canada. The development of Canadian natural resources has required substantial injections of foreign capital, both debt and equity, and foreign investors have played a very significant role in the growth of the Canadian economy since the Second World War. However, as the Canadian economy matures, there has been an increasing tendency for the National and provincial governments to impose some restrictions on new foreign investments, particularly in certain sensitive sectors of the economy. In spite of this, there are still relatively few restrictions in Canada if the country is compared to other industrial countries."

A Word About Product Mandating

A foreign firm wishing to do business in Canada is likely to be judged favourably if its Canadian plant will produce products which will be sold on the world market.

Most often this means that the parent company gives the subsidiary a "world product mandate," that is, the exclusive franchise to produce a particular thing. A mandate may have little significance—one to produce nuts, bolts, nails or paper clips would not involve the development of research facilities or the employment of highly skilled and highly paid workers—but many American parents have found it profitable to make their Canadian subsidiaries respect-

able partners in international enterprises. Two examples are given below.

Signal Companies and Garret Manufacturing Ltd.

Signal Companies is a \$4.2 billion-a-year conglomerate with interests in petrochemicals, trucks, television, avionics and aerospace. Garrett Corporation of Los Angeles is a division of Signal, and Garrett Manufacturing Ltd. of Toronto, a subsidiary of Garrett. GML has a hustling, enterprising research and development section and a contract to design and produce the first airborne digital temperature control systems ever built, for the Boeing 756 and 767.

When GML was awarded a contract to produce air data computers for the CF-104 fighter, Garrett Corporation invested \$15 million in the Toronto plant, upgrading the facilities from a warehouse and assembling operation to a full manufacturing plant. It promoted GML to an active manufacturing division, one of eight in North America and eleven in Brazil, Great Britain, Ireland, France and West Germany.

The cooperative operation has proved notably successful. In 1960 GML imported 90 per cent of the materials it assembled and exported nothing. Today it exports about 75 per cent of its aerospace products. From the start it has been given mandates to produce sophisticated systems, and the profits have been reinvested in the plant. The company employs 1,000 people in four plants and earmarks 12 per cent of its sales revenues for research and development.

Its exports include a miniature emergency locator beacon for the Swedish Air Force, which broadcasts the location of a ditched plane and permits the crew to send and receive voice messages, and a VHF/AM transmitter-receiver, which is used by air traffic controllers around the world.

GML has proved profitable for both its parent corporations and for Canada.

A Joint Venture in Quebec

A Canadian firm, Haley Industries, and an American one, the Bendix Corporation of Southfield, Michigan, have joined in a venture to produce ductile iron castings in Farnham, Quebec.

Haley was already producing high quality magnesium and aluminum alloy castings for the aircraft industry in its plant at Orillia, Ontario.

The Bendix Corporation is one of the world's largest independent suppliers of automotive products and, unlike many similar U.S. firms, it did not have a foundry of its own.

Haley saw Bendix as a partner-customer in a new venture. After extensive studies to analyse its potential, the two firms financed Métallurgie Farnham, Inc. jointly. They share control.

The plant was constructed at Farnham, about thirty miles from Montreal, with access to its market and close to supplies of pig iron and scrap. A significant factor in the site choice was the