



TNCs in Canada and Canadian TNCs

By the Raw Materials Group

Canada's natural resources have been of vital importance to the economic development of the North American continent. Major US corporations have acquired control over important sectors of the Canadian minerals industry. At the same time Canadian resource corporations have expanded rapidly and made large investments abroad. The Raw Materials Group has selected extracts from two recent studies to illustrate this process.

A brief history of foreign ownership in Canada

"Foreign capital has played a major role in Canada's economic development. Large capital inflows from Great Britain helped finance Canada's railways, canals, roads and small manufacturing sector during the 1867-1920 period. Foreign ownership was not a major concern at this time, since most of this external capital was obtained in the form of long-term debt securities that gave no direct ownership or control rights.

Following World War I, the United States supplanted Great Britain as our major source of external financing. In contrast to British portfolio investment, however, a much larger proportion of U.S. financing was in the form of direct equity investment. U.S. investors set up branch plants and subsidiary companies in order to penetrate Canadian markets directly, which were previously denied them by Canada's high manufacturing tariff barriers. Because of their large resource requirements and their desire for secure supplies, U.S. investors also favoured the resource extractive industries, particularly in the post-World War II period.

Looking at actual figures, the book value of total direct foreign investment jumped from about \$ 4 billion in 1950 to about \$ 47 billion in 1977. Foreign residents controlled 55 per cent of the capital employed in manufacturing, 55 per cent in mining and 68 per cent in petroleum and natural gas in 1976. Outside of the manufacturing and resource extractive industries, Canadian ownership and control generally dominates. In particular, a large share of the assets in the transportation and public utilities sectors are publicly owned (...)

The Canadian government has always expressed an interest in domestic ownership in certain key sectors. Banking legislation has traditionally limited the amount of foreign control in our financial institutions. Publicly owned com-

panies such as Air Canada and Canadian National Railways have maintained Canadian control within the transportation sector. The Canadian Broadcasting Corporation was set up partly to establish a distinct Canadian cultural outlook in the communications industry. As a result of the Gray Report of 1972, the Foreign Investment Review Agency (FIRA) was created to screen proposed takeovers of companies in Canada and prevent such takeovers unless they provided significant benefit to Canada. Finally, Petro-Canada was established in 1976 to provide for greater public sector participation in petroleum industry developments."

Source: The Canadian Business Review, Spring 1982.

Canadian transnationals and Canadian mining

"The per capita level of Canadian foreign direct investment (FDI) and its industrial and geographical distribution are strikingly similar to those for the USA. Nevertheless Canada has most often been studied as a host country, not as a foreign investor. Very little has been written on Canada's direct investment abroad and on Canadian multinational corporations. But in 1976, according to the data published by the United Nations Centre on Transnational Corporations, Canada was the seventh largest overseas investor, after the USA, the UK, West Germany, Japan, Switzerland and France (...)

In manufacturing, Canadian international investment is represented in industries ranging from telecommunications equipment to synthetic rubber and latex, as well as in traditional industries such as footwear and meat packing. Canadian MNCs are also active in maturing industries such as pulp and paper, business forms, agricultural machinery and transportation equipment.

The economic concentration of Canadian direct investment abroad is also very close to the American one. According to Raymond Vernon (in *Sovereign-*

ty at Bay, 1971, page 18) nearly 80 per cent of the assets of US FDI was controlled by the 187 multinational corporations. In 1976, 65 per cent of Canadian direct investment abroad was made by the 16 largest foreign investors, companies such as Alcan Aluminum, Bata Shoes, Brascan, Canada Packers, Cominco, Falconbridge Nickel, Ford of Canada, Inco, McMillan Bloedel, Massey-Ferguson, Moore Corporation, Noranda Mines, Northern Telecom, Polysar, Seagram and Hiram Walker. A second group of 49 other corporations represented another 21 per cent of the total Canadian direct investment abroad. These are also large but only partially international firms such as steel producers (Stelco, Dofasto, Algoma Steel), beer companies (Molson, Labatt and Carling O'Keefe) and paper producers (such as Domtar, Consolidated Bathurst and Abitibi-Price). These companies have subsidiaries in two or three countries, while the 16 or 17 largest have foreign branches or affiliates in five to 100 countries.

Mining companies

In mining, two of the largest Canadian multinationals are *Inco* and *Alcan Aluminum*, both former American subsidiaries in which Canadian interests have been growing slowly but steadily for the last 50 years. Both are US multinationals turned Canadian. The bulk of their technological advantages was acquired through the US connexion. In Canada they are leaders in the close oligopolies of nickel and aluminium.

Two other mining multinationals deserve attention: *Cominco* and *Noranda Mines*. Cominco is currently one of the world leaders in zinc and lead. A member of the Canadian Pacific conglomerate, Cominco bought the bulk of its mining, smelting and refining technologies from US engineering firms during the first 30 years of this century. Cominco is the undisputed leader of the very exclusive domestic oligopoly of zinc. Noranda Mines is a copper, lead and zinc producer

Canadian banks have important interests in the mining industry. Advertisements from: Mining Journal (Below) and Business Week (Above).

incorporated in 1922. It completed its vertical integration in 1930, with US technology and expertise. It is another member of the Canadian handful of domestic oligopolists in non-ferrous metals, but its main product is lead.

In oil, Canadian multinationals are second-line players. Some of them are foreign-controlled (as Canadian Superior

Oil, a subsidiary of Superior Oil of Houston, Texas). Others have been bought by Canadian interests when they were already multinational enterprises. Texas Pacific Oil, for example, taken over by Seagram in 1953 and partially sold in 1980 is a case in point. While in non-ferrous metals, Canadian multinationals are often world leaders – Inco is number one in world nickel, Alcan is number two in world aluminium, Cominco is number one in world zinc. But in oil there are no Canadian majors and even with the present national energy policy and the Canadianisation movement, Canada's largest oil companies such as *Dome Petroleum* and *Petro-Canada* are small by world standards. The Canadian oil industry was almost completely foreign controlled ten years ago. Now one third of it is Canadian-controlled thanks to the incorporation of the national oil company Petro-Canada in 1975, and to the new energy policy issued in 1980.

Banks

Canadian chartered banks are very large. The big five (*Royal, Montreal, Commerce, Nova Scotia* and *Toronto-Dominion*) centralise 90 per cent of the assets of all commercial banks in Canada. Three of them are among the 50 largest world banks. The Royal Bank, Canada's number one, had in December 1980 total assets of \$ 63 bn and its growth rate was 25 per cent a year. It has branches, affiliates or representatives in 45 countries and it controls some large international banks such as the Orion Bank of London. Other large Canadian financial institutions are multinational as well. Insurance companies such as Metropolitan Life, Sun Life or National Life, trust companies such as the Royal Trust are outstanding examples. But Canadian chartered banks are by far its largest financial multinational corporations."

Source: Nicose Jorge: The Canadian multinationals, *Multinational Business*, London, No 2, 1982.

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