

*Foreign Investment Review Act*

Much of the need for this legislation would be reduced if the government were only to take a more positive attitude toward business in this country. Foreign ownership regulations are really only a short-term answer to the over-all problem of foreign investment and the development of the Canadian economy. The real answer to our problems lies in the generation of a healthy Canadian business climate, and the minister must know that his job is not complete until he has measures installed which will accomplish this end and until he has produced what Canadians have been looking for for a very long time, namely, some sort of industrial strategy to guide the development of the Canadian economy.

**Mr. Edward Broadbent (Oshawa-Whitby):** Mr. Speaker, when the Foreign Investment Review Act was debated in the House, the NDP supported it because it represented an improvement over the then existing situation with respect to foreign investment, that is to say, over a situation in which there were no controls in this major area. We reserved judgment on the act, however, as it was clear from the way in which it was worded that the attitude of the government to foreign investment and the regulations implementing the act would be the crucial determinants on the issue. We now know, if there were any doubts before, that the government had no real intention of limiting or controlling foreign investment in Canada.

● (1220)

Our support of the Foreign Investment Review Act was on the basis that it would encourage rational control of investment in the Canadian economy so that Canadian resources would be developed in such a way that the maximum benefit would go to the people of Canada as a whole and not to foreign-owned, multinational corporations. The prime benefit had to remain here, and not abroad. However, as the operation of the first phase of the act demonstrated beyond doubt, this was not the purpose the government had in mind for its own bill. Its purpose was simply to stem the criticism of Canadians legitimately concerned that the Canadian economy was being more and more controlled by outside governments and outside corporations. There is no discernible pattern in the agency's activity since the passage of the bill in relation to takeover approvals, which have run at the rate of some 80 per cent of all applications.

The guidelines for takeover are so vague as to be worthless. The reason for this is that the government does not intend to plan in a rational way investment patterns in Canada. Every time this government gets into trouble, under any circumstances, in the economy it runs off and asks foreign companies to bail it out: witness recent speeches—and by "recent" I mean in the last six months—by the Minister of Finance (Mr. Turner) and by the Minister of Industry, Trade and Commerce (Mr. Gillespie), both at home and abroad, assuring foreign investors that they would have no problem at all in embarking upon ventures in the Canadian economy. Hence the expressed reason for the delays in proclaiming part II of the act.

The regulations under part II clearly demonstrate that the government's real position will not be found in the royal commission set up by the Prime Minister (Mr. Trudeau) to investigate corporate power, which is a sham if

[Mr. Gillies.]

ever there was one created in Canadian politics. The real attitude toward the power of corporations in Canada, and particularly multinational corporations, is to be found in what is included in the regulations just tabled by the minister and, more importantly, to be found in what is not included in those regulations.

The statement of the minister is a blatant and shocking attempt to reassure foreign investors that the government has no serious intention of interfering in the slightest in their investment decisions. I wish to quote briefly from the minister's statement as follows: "I should again like to emphasize, Mr. Speaker, that the purpose of the Foreign Investment Review Act is not to block foreign investment from any source or to discourage it but, rather, to ensure that such investment is of significant benefit to Canada. Since its beginnings Canada has had to rely heavily on foreign investment to help us develop this country. Clearly, it has been beneficial."

Later the minister said: "A mere glance at the guidelines concerning related business will clearly indicate that great care has been exercised to ensure that there will be no interference with investment for the maintenance and expansion of ongoing business activities in Canada." That sentence in particular is one of the understatement of the century in Canadian politics, and one of the great understatement of the underlying economic philosophy of the Liberal Party.

Under the regulations, the list of exclusions of new foreign-owned businesses which do not need government approval to start operating is exhaustive: it is difficult to imagine any foreign investor who would have to apply for approval before establishing a new business. But of even greater importance is what this second phase does not review, the vertical integration of multinational corporations. The list of exclusions encourages the future development of vertical integration in our economy. What are the problems associated with it? Let me list the problems for the Canadian economy and, therefore, for the people of Canada, with further vertical integration. First, such integration allows transfer pricing between related companies which can artificially increase prices in Canada. Second, it reduces tax liabilities and encourages tax dodges at home and abroad. Third, it continues the trend to have research and development done outside Canada, making us increasingly technologically dependent on other countries but particularly on the United States. Fourth, it encourages the importing of machinery from foreign-based multinationals with plants in Canada. Fifth, it discourages the export of machinery and technology which would compete with the American parent company.

The exclusion of any concern over vertical integration means, to the New Democratic Party that the government has bypassed the most important aspect of the foreign domination of our economy. This is presumably a summary of the position that will be taken by this Liberal government until the next election, when it will probably trot out some other vague, unspecified and general commitment to deal with the problem of foreign ownership. But I hope that finally the people of Canada will shed whatever illusions they may have about the determination of this government to do anything about regaining economic independence for Canada. The battle against for-