

or the other. After all, this is the key area with which we should be concerned, and it seems to me that it is often overlooked by members from the other parties.

The contribution of foreign investment to economic growth can be measured by determining the extent to which foreign capital permitted an increase in the stock of Canadian capital that would not otherwise have taken place. Against these benefits to Canadian economic growth must be set the interest, dividends and business service payments of various kinds which foreign owners earn in Canada. Therefore, the value of foreign investment equals the increase of Canadian stock capital which otherwise would not have taken place, minus the interest, dividends and business service payments earned by foreigners.

However, the nature and extent of the gain from any given direct investment depends on two crucial points: first, it depends on the extent to which competition in a system diffuses the impact of new products and processes—increasing productivity or lowering prices. In brief, whether the new entrant shakes up the pattern of production or distribution, or simply adapts to the existing pattern in order to avoid disturbing the market. Second, the extent of gain depends on the extent to which Canadian governments succeed in taxing profits accruing to foreigners at an optimal rate. It also includes the special need to ensure there is not overpricing on purchases from foreign affiliates and underpricing on sales, such as to reduce the tax yield due to Canadian authorities.

For the greatest part of the last century, the principal objective of industrial policy in Canada was economic growth—growth through settlement of the west, growth through exploration and exploitation of mineral resources, growth through application and adaptation of technology to processing and growth through protection of manufacturing activities to supply the requirements of an expanding population. Today, growth is still important, particularly in the relatively short term, since in the 1970's the Canadian labour force is growing more rapidly than in any other developed country. But these days, growth in productive capacity is only one of our objectives. Our main concern is to increase Canadian participation in the development of the economy, and yet another is, obviously, to increase the quality of life for all Canadians, to create more "Canadianism" in our economy, if I may use that term.

The following problems draw attention to the fact that the allowance of foreign investment into Canada must be accomplished in terms which differ from those used in the past. The government must become more active than it has been in order to ensure Canadian participation in the Canadian economy. It must guarantee that not only future, but also present, foreign investment serves Canadian interests. Direct foreign investment provides capital for growth both through new inflows of capital and through use of retained earnings in Canada. The reinvestment of retained earnings is often viewed as the use of Canadian savings, which is correct in a sense, but the crucial question, frequently overlooked, is whether these savings would have been generated without the original foreign investment initiative.

Foreign Investment Review

We must, therefore, consult and co-operate with the provinces to assure an increase in Canadian participation in ownership of the economy, and not keep a closed door policy as the government has been doing in the past. We must have some positive measures designed to encourage Canadians to invest in the development of Canadian enterprise and our party has on numerous occasions proposed, among other things, initiative programs for both individual Canadians and Canadian small business. Mr. Speaker, I do not have time at present to elaborate on this matter.

We must establish more effective guidelines for corporate behaviour in Canada by foreign-owned companies. We must require full financial disclosure from Canadian based subsidiaries of firms owned by interests outside Canada. We must require that Canadian citizens constitute the majority on the boards of all companies operating in Canada under federal charter. We must encourage foreign-owned subsidiaries to appoint Canadians as executive officers of their companies.

We must immediately set to work with the provinces to produce a national development strategy for Canada. Part of the process of arriving at that strategy will be the identification of any additional key sectors of the economy in which foreign investment or takeovers should be limited or not permitted. These key sectors will be determined on the basis of their significance to either economic or cultural fields. Unfortunately, this bill does nothing to control in any way the continued expansion of existing foreign-owned companies in Canada so as to assist remaining all-Canadian companies to grow in a healthier economic climate. Foreign ownership in Canada has increased in the most part through the expansion of existing foreign controlled enterprises mostly with our own money—a fact that Bill C-132 has overlooked as well. And that, Mr. Speaker, leads me to the far too inadequate banking system and more specifically the antiquated Bank Act itself. I believe the banking system bears prime responsibility for not only the largest total of business failures since the depression, but for the ultimate alternative of foreign ownership.

I can think of no better example than my own business experiences during the Trudeau years to demonstrate the many flaws in the government's over-all economic policies. Unfortunately, my experience is not an isolated example but is a far too common happening in Canadian business today. I started a small manufacturing company some years ago. In the first three years we realized a substantial growth to over \$1 million in sales, providing over 50 new jobs for Canadians. By the middle of 1971, business had become very active and we reached even higher sales which required us to expand our facilities. For this we needed further financing. Up to this point, it sounds like a perfectly healthy business situation. The simple fact that any Canadian, whether rich or poor, can start a small business of his own at any time, anywhere, makes me proud that I am Canadian. But over the years, especially the last decade or so, under the Liberal government, it has become more and more difficult to expand a Canadian business once started. Foreign owned companies can expand easier than we can, because of the high credit given their parent companies.