

Senator Frith: Well, by admitting that that was indelicate, yes.

Senator Doody: In any event, in those disadvantaged areas where the need for capital is the greatest, the negative impact of FIRA was the greatest. If Canadian capital were available, perhaps the system could be justified. But apparently that is not the case. Canadian capital is not available. Canada desperately needs jobs; Newfoundland more than desperately needs jobs.

We had a heart-breaking debate in this chamber yesterday during which the Leader of the Opposition in the Senate described the plight of his friends and constituents in Cape Breton.

I feel reasonably certain that the people who are being displaced in Port Hawkesbury and in Canso would not be too concerned about where the investment to create jobs came from. The idea of prospective investors having to beat their way through the Foreign Investment Review Agency would not be too happily accepted by them. The idea of a more positive approach is desperately needed in Canada generally, and in eastern Canada in particular.

I can say with complete sincerity that I am very pleased with the changes proposed in this bill. I have absolutely no hesitation in endorsing the bill. I think it is a great step forward.

While it certainly isn't the complete answer to the unemployment problem in Canada, it is a big step forward in creating the kind of atmosphere that will attract the business community and thus lead to jobs. I, for one, am very pleased to endorse it.

Hon. B. Alasdair Graham: Honourable senators, I welcome the opportunity to participate in the debate on this very important legislation. In my view, some changes to the existing Foreign Investment Review Agency legislation would have been inevitable regardless of the government in power.

As we all know, FIRA, for whatever reason, had acquired an image abroad as a symbol of hostility to foreign investment. This image was, I believe, sometimes exaggerated, sometimes blown out of proportion. In many cases, it was an image that was not deserved. But there is no denying that it was an image that did exist and constituted a problem which would have to be addressed.

Former DRIE minister Ed Lumley had suggested last spring that, as a start, the agency's name should indeed be changed to Investment Canada, as Bill C-15 proposes to do.

Eleven years of experience with the Foreign Investment Review Act had revealed deficiencies and shortcomings which needed to be remedied. Such an outcome is to be expected with any pioneering legislation.

It is impossible, of course, to anticipate all situations that might arise with a new legislative framework, but there is no question that changes are in order.

The amendments proposed in Bill C-15 speak to many of the problems that have emerged with the screening mechanism

[Senator Doody.]

that has been in place over the past 11 years; but they also leave much unaddressed, in my opinion. Some of the proposals provide grounds for serious concern.

Some of these issues I shall take up later. Before doing so, perhaps a brief review of FIRA's operation and performance to date will help place the proposals contained in Bill C-15 in proper perspective.

Under the Foreign Investment Review Act, virtually all takeovers of Canadian businesses by foreign controlled companies, as well as the establishment of new businesses in Canada by non-Canadians, are subject to review. Only those investments which are assessed or judged by the review process to be of significant benefit to Canada are allowed to proceed.

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FIRA sets out five criteria to be considered in assessing whether an investment proposal is likely to result in significant benefits. Those include the effect of the investment on economic activity, efficiency and competition, the degree and the significance of Canadian participation in the proposed investment, and the compatibility of the proposed investment with domestic industrial and economic policies.

All decisions on whether to accept or reject an investment are made by the Governor in Council upon the recommendation of the Minister of Regional Industrial Expansion. In making his assessment, the minister is advised by the Foreign Investment Review Agency which was established by the act for this very purpose. As a matter of practice, I am assured that FIRA has always consulted with those provinces affected by an investment proposal prior to tendering its advice to the minister.

In the early 1970s when adoption of a foreign investment screening mechanism was being discussed, as mentioned by Senator Kelly and, I believe, alluded to by Senator Sinclair earlier today, more than one third of all business activity was carried out by foreign controlled enterprises. Since then foreign control of Canadian industry has declined to about one quarter of the total business sector. But even at this much lower level, the extent of foreign ownership in Canada remains among the highest in the industrialized world. No one is going to argue with the suggestion that foreign investment is beneficial and even necessary to healthy economic development. Senator Doody has made reference to his own province of Newfoundland. I make reference to the province of Nova Scotia and, indeed, to the entire Atlantic area and other disadvantaged areas of Canada. It can improve access to scarce capital, and capital is very scarce in our region of Canada. It can improve access to entrepreneurship, to managerial skills and to new technology.

However, it has costs and it has risks as well. Beyond the income flows that accrue to foreign investors, foreign investment has the potential to stifle indigenous skills and, indeed, entrepreneurship. All too frequently, foreign subsidiaries amount to little more than assembly operations in Canada with severe self-imposed restrictions on what they can produce and where they can export. The most significant corporate