

*The Address—Mr. Horner*

might consider what has happened in Canada in the past few years. We had a white paper on taxation which caused havoc in this country. We had the farm marketing bill which caused havoc in respect of the marketing of agricultural products. Then we had the involvement of the government, in one form or another, in manufacturing. Now we have the government's hand in the oil industry and we are told that by 1983 we may be a net importer of oil, while we have an abundance of oil resources.

What should an industrial policy include? Any policy being considered by Canada should be, in the future, only a Canadian policy if it is to be truly beneficial to the country as a whole. Why should we devise an industrial policy any other way? Regional policies will increasingly have a divisive effect in Canada. Every one of us in this House can think of policies which have been devised in the past which have been regional in concept. An industrial policy should be truly Canadian. We had an industrial policy which applied to regions all across Canada, within certain boundary lines. Some provinces were included, some not at all. This tends to divide.

● (1530)

Bargaining away any of the resources produced in one part of Canada to confer a benefit on another part of Canada is a dangerous act and leads to obvious divisions in the country. All parts of Canada are sufficiently sophisticated to understand the results of this type of action and should recoil against such political manoeuvring. As I was saying, this is a most dangerous route. Primary industry, resource industry and manufacturing industry which have an advantage in world markets should be encouraged to reach their highest economic level and bring maximum value to Canada as a whole.

Another recent alarming trend which I have observed is the sudden building up of tariff barriers. An industrial policy must state clearly our recognition of the fact that the world has been moving toward a system of lower tariffs and lower barriers. Canada is as yet a reasonably high tariff country and we will be under increasing pressure, as we have been in recent years. The other day I listened to a commentator speaking following the news on television. He asked, "What are we doing? Are we getting into a trade war?" One hears a lot of talk these days about a depression, but certainly if a depression takes place it will be preceded by a trade war. In my opinion, no commentator should be sitting in a high place, looking down at Canada, and asking, "Is this what I am seeing, a trade war?" An industrial policy should shy miles away from such a situation. We are master traders and we should be proud of our skills and our ability to sell. Certainly, many people derive their high standard of living in Canada from using these abilities.

I dealt earlier with the foreign takeover of a number of Canadian companies. In the past we have seen many takeovers of the Canadian economy by American corporations. Probably in the future the only change will be that the purchasers will be Japanese, German or nationals of other OPEC countries moving into Canada. If anyone is to be blamed for the loss, it should be the Canadian financial community, the people who control the money, not Canadian businessmen. Many members of the House have condemned our businessmen. However, in many cases it is

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not their fault; it is the fault of the people who are supplying them with the money. Where does the money come from to make purchases of Canadian companies? Studies indicate, as I stated earlier, that the greatest portion of these funds comes directly from Canadian banks. Canadian depositors have supplied the necessary funds for foreign takeovers. This was pointed out in the Gray report.

Businessmen are well aware of the fact that if a company can finance through relatively low-cost debt, then the value of the equity—that is, the share portion of the company—increases correspondingly. Generally, it is this lever which the company seeks for the investment of foreign money. In other words, we want to use foreign money for operating capital, but not necessarily equity capital.

I know my time is nearly over, but I should like to emphasize this particular point, that in the past we have seen the Canadian government attempting to take what might be called the political route, or a simplistic approach, of simply prohibiting takeovers by law. The problem of prohibition by law is that the entrepreneur becomes wary of initiating a business in the first place and decides, very wisely, to work instead for a foreign corporation or for the government. That is exactly what has happened. When you suggest you will prohibit a takeover, you automatically devalue the business concerned and automatically discourage someone from going into the same business. You destroy a little of the initiative, skill, tenacity and courage about which I spoke at the beginning of my speech.

The only approach that will work is to provide the Canadian entrepreneur, executive or proprietor, who wishes to build a Canadian corporation with a better deal to sell to a Canadian rather than to a foreigner. This keeps him motivated, and Canada keeps control of her industries. Unfortunately, one of the difficulties in developing Canadian industry is the staggering overhead of carrying the cost of Canadian government. This overhead shows up as one of the civilized world's highest tax burdens which falls increasingly upon Canada's productive middle class. How many times have I sat in the House in the past few years and heard it said that this or that budget is increasing the burden on the middle class! We cannot do that forever or we will kill the goose that laid the golden egg.

The salaries of people in the middle class are taxed at a higher rate in Canada than they are in the United States, and so are many of our companies. One cannot penalize a younger person who has initiative and drive for seeking out the highest reward for his efforts and services. These people do not really mind living south of the border, and in fact many of them go there and have gone there. We speak about the brain drain in this country. How many times has that expression been used here in the House? We have not really applied our thinking in considering the pieces of legislation we have passed, to finding ways to curtail the brain drain. In fact, in the past this trend has accelerated because of lack of a clear industrial policy, lack of a policy on foreign investment in Canada.

I see, Mr. Speaker, that you are ready to rise. I have many more thoughts to express to Canadians, but I will take some other opportunity to do so.