It is against this background that the Foreign Investment Review Act was conceived. It represents an effort to establish more effective control over the economic environment and to obtain greater benefit for Canada, but on a basis which recognizes our need for foreign investment and our obligations to our economic partners in the international community.

The Foreign Investment Review Act applies across the whole economy and provides the Canadian Government with the authority to screen:

(1) acquisitions of control of Canadian businesses by foreigners;

(2) investments from abroad to set up new businesses; and

(3) expansion of existing foreign-controlled firms into unrelated businesses.

The first part of the Act concerning foreign acquisitions or takeovers came into effect in April 1974. The other provisions, dealing with the establishment of new foreign-controlled businesses and expansion of existing foreign-controlled firms into unrelated business have not yet been brought into effect. It may be noted that the powers and interests of the provincial governments are a factor of importance in this context.

The test that any foreign investment faces is whether it is, in the judgement of the Government, likely to be of significant benefit to Canada. The assessment is made on the basis of five criteria:

(1) the impact on economic activity, including such factors as employment, the processing of Canadian resources, and the development of exports;