

Foreign Investment Review Act

Japanese passed legislation limiting foreign control in general industry to 49 per cent. In certain key industries such as railways, steel and auto manufacturing the limit on foreign control was cut to 20 per cent, and in such essentials as radio, television, the press, the banks, etc., the Japanese government would allow no foreign ownership at all. Some adjustments have been made to foreign investment over the years, but we find that Japan still keeps a firm hand on the control of her economy.

In practically every country in Europe, including France, West Germany and the Scandinavian countries, we find legislation limiting foreign ownership. These countries are more acutely aware than Canadians have been of the inherent dangers and weaknesses that may result from loss of economic power when it is held in the hands of foreign corporations. These countries, however, have done something about the situation while Canadian governments, past and present, have refused to face up to the basic problem and to make those major basic changes that are required to protect Canadian industry and Canadian resources from complete domination by foreign corporations. Our very future is at stake and I am certain that Canadians will not tolerate much longer the Liberal and Conservative policies which in effect allow the control of our industry and resources to continue to pass to and remain under the control of foreign based corporations.

I would first like to show the extent of foreign control of the Canadian economy and then deal specifically with one of our major resources, oil and gas, which is almost completely dominated by foreign interests. The sellout of this key energy resource, federally and provincially, by the Liberals, the Conservatives and the Social Credit over the years is one of the tragedies of our time. Their past policies will come back to haunt them in the years ahead as Canadians realize their over-all interests have not been protected or planned for on any long-term basis.

It is very noticeable that foreign control of Canadian resources is more pronounced in those areas where governments have granted ridiculous tax concessions, exemptions of various kinds, low royalty rates, and so on. It is difficult to believe that any government could be so stupid as to allow many of our non-renewable resources to be gutted at fire sale prices. We find that the oil and gas resources industry is over 90 per cent foreign controlled. In the oil refining segment of the industry, the control is over 99 per cent. Foreign control in the mining industry has risen to over 70 per cent, while the smelting and refining industry is 85 per cent non-resident controlled. In the iron mining industry the rate is 86 per cent, while in the non-metal mining industry, which includes asbestos, potash, gypsum, etc., non-resident control has reached 85 per cent. In 1969 the figure for rubber products was 92.7 per cent, in the machinery section foreign control in 1969 amounted to 73.2 per cent, transportation equipment was 86.4 per cent, chemicals and chemical products were 80.4 per cent. Four years ago, in 1969, the printing and publishing sector rose to 20.4 per cent foreign control from 11.3 per cent in 1965. Many more figures could be given here, but the preceding examples indicate the serious situation facing many aspects of Canadian industry.

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We should next look at the reasons for excessive foreign control in some sectors of the natural resource field. Canadians should be asking why foreign controlled oil companies and mining firms have moved into Canada on a vast scale. The answer lies in the major concessions which past governments have granted to these corporations. Perhaps the excellent table of tax rates on profits which was presented by Eric Kierans two years ago will give the reason and show how foolish government policy in this field has been over the years.

In the speech given by Eric Kierans to the Canadian Economic Association on June 3, 1971, he had this to say:

Taxation allowances have been used so extensively in Canada since 1949 that the Dominion Bureau of Statistics has been forced to issue two sets of financial figures, the one based on the annual reports of corporations to their shareholders, the other drawn from the reports filed with the Department of National Revenue for tax purposes by the same corporations. In 1968, for example, book profits reported to shareholders amounted to \$8,350 million while taxable income reported to the Revenue Department amounted to \$5,021 million.

These figures indicate that there was a difference of \$3,329 million between the profits reported to shareholders and the taxable income reported to the Revenue Department. In other words, in 1968 only 60 per cent of the companies' book profits were classified as taxable income. Over the four-year period from 1965 to 1968 inclusive, of a total of just over \$30 billion shown as company book profits, the taxable amount came to \$17.3 billion. This means that over the four years between 1965 and 1968 about \$12.7 billion of book profits were not classed as taxable income, as a result of which the average taxation rate for all corporations in that four year period came to about 57.6 per cent of the book profits.

These figures do not imply that all corporations were taxed to the same extent. So let us look at the second table which was supplied by Mr. Kierans two years ago. It shows the book profits made by selected industries, the taxable income of those industries and the percentage of book profits which was taxed. It is a most revealing document. This table shows that in the four years from 1965 to 1968, the book profits of companies dealing in mineral fuels, which include oil and gas, amounted to \$795 million. The income on which taxes were levied amounted to only \$45 million. As a result, the companies were taxed on only 5.7 per cent of their book profits. Is it any wonder, in these circumstances, that we have seen a concentration of foreign control in this industry?

In the metal mining industry, over the same period, book profits amounted to \$1,707 million. Taxable income was \$220 million which amounts to only 13 per cent of total book profits. In the category of "other mining", book profits over the period amounted to \$374 million and the companies paid tax on only \$120 million which works out to 32 per cent of book profits. In the manufacturing industry, companies paid taxes on 63 per cent of their book profits. The construction industry paid taxes on 65 per cent, and the wholesale trade on 87 per cent. But in the retail trade, which is almost entirely Canadian-controlled, we find the companies paying taxes on 90 per cent of their book profits.