Canadian Ownership and Control Bureau as to any foreign controlled firms involved and as to their compliance with the guidelines. Compliance should be an important factor in any such action taken by governments.

In addition, all income tax provisions should be reviewed to make sure they do not discourage compliance with the guidelines, and, in particular, that they do not discourage participation by Canadians in the ownership of companies carrying on business in Canada. In this connection, the Committee wishes to draw the attention of the Government to evidence given before it to the effect that certain proposals contained in the White Paper on Tax Reform might have the effect of discouraging rather than encouraging participation by Canadians in foreign dominated companies operating in Canada. Consideration should also be given to creating appropriate income tax incentives to companies complying with the guideline for 51% Canadian participation.

If it appears, after a reasonable time, that the recommendations contained in this report are not effective in securing appropriate compliance with the guidelines, the Committee recommends that non-complying companies in vital industries be subjected to public regulation of the type which now prevails in the protected key sectors of our economy.

3.34 *Take-Overs* The Canadian Ownership Law should provide that there can be no take-over of any existing Canadian business or corporation by a foreign controlled corporation without the consent of the Canadian Ownership and Control Bureau. The Committee recommends that as soon as possible the Bureau should develop and publish a clear statement of the policy to be followed with regard to the issuance of permits. This statement of policy should identify the key sectors where no further take-overs would be allowed; it should also indicate that take-overs in certain circumstances would be permitted in specified regions or industries where more foreign investment is required or where the national interest is not adversely affected.

3.35 *New Foreign Investment* The Committee was in some doubt as to whether a permit should be required for new foreign direct investment or for new foreign direct investment over a certain annual amount. It concluded that the government should give serious consideration to the desirability of requiring a permit from the Bureau for any new foreign direct investment in Canada in excess of a certain amount (perhaps $500,000 annually). Many countries, notably Japan, have made vigorous efforts, wherever possible, to have new or improved products manufactured in Japan by domestically controlled corporations under licensing arrangements. The Committee recommends that the Bureau scrutinize all applications for new foreign investment in Canada with the intention of determining whether or not the proposed products could be more advantageously manufactured under licence by Canadian controlled corporations. If the Bureau determines that this is the case, it should make vigorous efforts to have such arrangements effected.

3.36 *Technological Dependency* The Economic Council of Canada has been requested to investigate the situation with regard to patents and other intangible technological property. The Committee recommends that the Government review the terms of reference of the Economic Council to make certain they are sufficiently wide to require the Economic Council to review patent licensing and market sharing arrangements and to consider whether the existing Canadian laws relating to patents and other intangible technological property are in the interest of Canada, with particular reference to foreign ownership and Canadian