industrial policy of the country and for its over-all well-being at any particular time, a matter that the opposition parties are always drawing to our attention.

In general, members of opposition parties seem to be agreed with what is in the bill, at least so far as I can interpret the position that they have taken. In some cases their speeches have been sufficiently beside the point that it is hard to tell how they are going to vote on the measure. But to the extent that their speeches have been specific, it seems that their objection is not so much to what is in the bill as to what they feel is not in the bill. We, therefore, come to consider those other steps that might be taken by the government in the future, either along with or in replacement of this bill.

We have heard a good deal about Mexico, perhaps as a result of the interesting coincidence that occurred between the opening of this debate last Friday and the address on the same day of the honourable President of Mexico, who of course spoke to us of his country's concern with the protection of its political sovereignty through protecting its economic sovereignty, a sentiment with which I think most members of this House are firmly in accord. But that should not blind us to the fact that experience with the particular measures that Mexico has taken has not been an entirely happy one.

I should just like to quote from a source which I believe is both reputable and impartial. I refer to a small pamphlet called "Foreign Investment in Mexico: Some Lessons for Canada" by I. A. Litvak and C. J. Maule and published by the Canadian Institute of International Affairs, which may be presumed, as I say, to be impartial. I should like to quote from page 14 of this pamphlet:

> The most obvious lesson to be drawn for Canada from the Mexican experience with foreign investment is that limiting foreign equity participation to a minority position does not necessarily result in a transfer of effective control to the domestic partner. So long as there is a need for the transfer of technology from the foreign investor, there exists numerous ways by which the investor can set the conditions under which the domestic enterprise will have to operate. These conditions may include limiting export opportunities, tying import purchases, and determining manufacturing, personnel, and marketing policies. In addition, there will be a tendency to dissuade the domestic enterprise from doing any research and development work of its own . . .
>
> The foreign partner, while owning less than 50 per cent of the enterprise, will still try to maximize his return on investment through higher charges for technology, management services, and the pricing of intermediate products purchased from the foreign parent . . .
>
> A second observation based on the Mexican experience is that the "buy-back" strategy can be extremely costly. If local savings are inadequate or not forthcoming to purchase the foreign equity holdings, then resort has to be made to foreign loans with definite commitments as to repayment. The profitability of the purchased sector will affect the ease of repayment, so that sectors with industries in decline should not be the target of buy-back strategies . . .
>
> Thirdly, the administration of policies towards foreign investment in Mexico is an example of an approach which is overly bureaucratic, inconsistent, and poorly integrated with the country's over-all strategy of industrialization. Too many government departments and officials are involved in overseeing too many aspects of foreign investment. Too many guidelines are used to assess each case of foreign investment with too many exceptions granted.

Mr. Blenkarn: Just like this bill.

[Mr. MacGuigan.]

Mr. MacGuigan: I think that comment of the hon. member for Peel South is helpful as an indication of the way the hon. member's party will vote on the bill, because we have been in suspense.

> Finally, failure to appreciate the ways in which foreign investment can contribute to the country's industrialization strategy can result in a situation in which the country is more heavily dependent economically on foreigners, although not necessarily in the form of direct foreign investment.

I think this rather lengthy quotation illustrates the fact that there are pitfalls in the way of the type of approach that has been taken by Mexico. We have the advantage of looking at their experience and profiting from it. Without any further reflections on the Mexican experience, I think I can say that the approach which is being proposed by the government in this bill is one that is soundly based and which should work out very effectively in the future.

Mr. Hellyer: That is a hypothetical assumption if ever there was one.

Mr. MacGuigan: The hon. member for York South (Mr. Lewis), who I regret is not in the House at the moment, has enlightened us with some of his additional proposals and entertained us with others. On the side of entertainment, there was the proposal that our foreign exchange reserves should be used to buy back foreign-held corporations. I have often heard it said that there is a point at which the extreme left and the extreme right come together, and I thought indeed that this was a proposal worthy of the hon. gentlemen to my right. Certainly, I must admit I had not expected to hear it from the hon. member for York South. This is a theory which might be called "the pot of gold at the end of the rainbow" theory. I had thought the Socialist mythology was made of sterner stuff, and I hate to be the one to tell the hon. member for York South that Santa Claus no longer exists, that the pot of gold is not there. It seems to me that someone ought to tell him if no one in his party will do so.

• (1520)

Let me remind that hon. member that our foreign exchange reserves are only something like $400 million.

An hon. Member: How much?

Mr. MacGuigan: I am sorry, $4 billion. Whatever the figure may be, the fact is that Germany recently found that a reserve of $8 billion was not sufficient to halt the monetary problems it was experiencing. What the hon. member for York South has suggested would put us in the position of having difficulty in dealing with foreign exchange policy. Last year I recall his arguing against a fixed exchange rate, and for a flexible exchange rate. But his present proposal would put us in a position of extreme rigidity. Under these circumstances we would have no options at all if we ran into a currency difficulty. Suppose that we did use our reserves to purchase, say the Chrysler Corporation. Then, if an exchange problem arose, we would have to sell the shares again in order to obtain funds to save our currency. This is hardly a good position for Canada to put herself in.

There is in fact no easy solution to obtaining money to buy back that part of our industry which is under foreign