...iew Act: key to turning the tables?

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review process, by itself, would not significantly increase Canadian ownership; that goal would have to be accomplished largely through other policies.

Two specific recommendations for rolling back the present level of foreign investment are, first, a NDP proposal to use $5 billion of Canada's foreign exchange reserves to repatriate ownership of certain foreign-controlled firms, and second, a recommendation in the Wahn Report to require 51 per cent Canadian equity ownership of major foreign subsidiaries.

The second basic criticism of the Act is that the establishment of a review agency is a poor tactic which may in fact discourage many desirable investment projects for the wrong reasons - uncertainty about government policy (because of the absence of definite guidelines) and the need for a vast amount of paperwork to make a representation to the agency.

Critics of the Act basically object to the whole concept of a screening agency which is based upon flexible criteria and a case-by-case approach; instead they would substitute a strategy based upon "fixed rules" which they feel would minimize uncertainty about Government intentions.

These critics feel that unless government policy is clearly delineated, it will be subject to short-run political pressures and expediencies, generating for business an atmosphere of ambiguity and apprehension.

The Gray Report, in fact, acknowledged that the establishment of a review agency could initially lead to some uncertainty for potential investors, but felt that the direction of government policy would become clear as a body of decisions was gradually built up.

The federal government has reiterated on numerous occasions that their new policy recognizes the highly beneficial role which foreign investment has played in Canada's development and in no way alters Canada's traditional openness to foreign investment.

I will find it in order, at this juncture, to note that economic independence unlike political independence cannot be expected to "materialize" overnight. Needless to say, economic independence is time bound; we have to start with an embryo in order to stage-by-stage approach maturity.

Therefore one can be right in saying that the future development of government regulatory policy will most likely be neither sudden nor dramatic nor unanticipated because of a number of constraints under which the government must operate.

foreign development is important in maintaining Canadian living standards

This is clearly evidenced in the following quotes:

"The impact on Canadian life of extensive foreign ownership and control of the economy has been explored in great detail and depth over the past fifteen years. It has been the topic of major and lengthy federal and provincial government studies and innumerable academic papers, books, and magazine articles.

There are many and varied comments on the negative economic effect of this large concentration of foreign capital, including its distorting effect of domestic research and development, its stifling of indigenous entrepreneurship, its truncation of industrial structure and its frustration of government stabilization policy."

Although there is little consensus on these emotionally charged issues, commentators espousing a wide range of views agree upon the difficulties of assessing the validity of these claims. Do these objections to foreign investment really add up to anything?

How important is foreign investment, per se, in creating economic distortions, and how much can be attributed to other factors such as Canada's tax, tariff and competition policies? Because of the haze which surrounds these and other very basic questions, responsible Government policymakers, regardless of political affiliation, will likely continue to have a conservative bias in formulating regulatory legislation and consequently will proceed cautiously.

This conservatism will, no doubt, be reinforced by the realization that because of the integration of foreign investment with all aspects of economic life, regulatory policy in this area will afect many other areas as well.

Further regulation of foreign investment will also be inhibited by Canada's continuing need for foreign capital inflows. Although this need is steadily diminishing, foreign finance will nevertheless still be required if Canada is to continue rapid development of its industrial sector while simultaneously financing the massive natural resource projects which have been planned (such as the Mackenzie pipeline), and the large public sector.

In addition, there is also a continuing need for new employment-creating projects in less developed areas of the country. While there could be come change in the present mix between debt and equity capital, it would be difficult to effect a major shift without altering fundamentally the traditionally free financial flows between Canada and the rest of the world.

Federal regulatory policy is also constrained by the attitudes which exist at the provincial levels of government. Federal policymakers must design measures which encompass the different, and often opposed, needs of the individual provinces. This problem is compounded by Canada's political structure, which does not always clearly delineate federal and provincial powers in areas pertinent to the regulation of foreign investment.

The most important constraint upon further government action is likely to be public sentiment. There appears to be consensus that the Canadian people are to day more strongly in favour of government regulation of foreign investment than at any point in the recent past. This sentiment must not, however, be exaggerated: Despite developing nationalist sentiment, there still exists an attitude that foreign investment is important to Canada's development in terms of providing employment and a higher standard of living.

Consequently, the isolated "horror stories" of foreign firms quitting Canada and leaving throngs on unemployed in their wake are still seen very much as aberrations. While their certainly exists much sentiment in favour of regulation, the burden of proof remains with the Government to demonstrate that its regulatory proposals will lead to a greater economic welfare for Canadians."

Lastly let us try to look ahead and see what the future holds in store for the Canadians.

"What then lies ahead in terms of foreign investment and public attitudes toward it? This question has of late become all the more important because of the recent oil crisis, which has dramatically highlighted the need for a national resourse development strategy.

To provide maximum benefit for Canadians, it will be necessary for Canada to mobilize available financial resources - both domestic and foreign - in such a way as to take advantage of this nation's great potential without incurring excessive economic, social or political costs.

Fortunately, as the Canadian economy matures, its growing wealth will increasingly enable it to finance its development from internal resources.

Consequently, while the sheer amount of existing foreign investment ensures that its scrutiny and regulation will remain an issue for years, this concern - like so many others that have preceded it - will likely become less urgent as time goes on.

Looking further ahead, it is in fact probable that Canada's increasing economic maturity and savings capacity will untimately permit the country to become a net exporter of capital abroad.

The FIR Act----how to acheive optimum development of human and natural resources

Because of the many large resource-related projects now being planned, this transformation could be about a decade away. The new national concerns which will undoubtedly accompany this shift will probably seem very far removed from today's burning issues.

In the meantime, the Foreign Investment Review Act represents an important focal point in the formulation of policy to help Canada achieve the optimum development of its human and natural resources. Its success could contribute substantially to the achievement of these objectives."