

Expansion will become the Department of Regional and Industrial Expansion.

In regard to the first part of the question, this matter has somewhat the same implications since it requires some statutory change. I am now the Minister of State for Economic Development—in other words, MSED—and my designation will change to that of Minister of State for Economic and Regional Expansion, MSERD.

**Senator Tremblay:** Is it effective yet?

**Senator Olson:** The announcement of the intention has been made.

**Senator Tremblay:** As a supplementary question, does this mean that the legislation, which established the Department of Regional Economic Expansion in 1969, will be abolished and replaced with new legislation?

**Senator Olson:** There will be a change in the legislation to add the word "Regional" to cover the functions that MSERD will be carrying out.

If you want to nit-pick, I do not mind if you call me the Minister of State for Economic Development although we have announced it will be changed to the Minister of State for Economic and Regional Development. This will not be an administrative department but secretariat support, and will have a co-ordinating capacity both here in the national capital and in the regions, to the cabinet committee on economic development.

**Senator Tremblay:** What will happen to the legislation which established the Department of Regional Economic Expansion in 1969? This legislation has already been amended once. I am concerned as to what will happen to that legislation since there are some parts of it which are quite important.

**Senator Olson:** I expect it will be amended to add the capability for regional support to the cabinet committee.

● (1420)

**Senator Tremblay:** I have a further supplementary question for the minister. That legislation, if I am correct, provided for compulsory joint planning between the federal government and the provincial governments. Will that part of the legislation be abolished?

**Senator Olson:** I do not know. I will have to read the legislation. I would seriously doubt, however, that there is any legislation that would make it compulsory upon the provinces to plan with the federal government. They do that if they wish to, and if they do not wish to, they do not.

**Senator Tremblay:** I suggest to the minister that he should read the legislation of 1969 again. I think it is quite clear in that legislation that it was in the context of joint planning that action should take place, both on the—

**Senator Olson:** There is that possibility.

**Senator Tremblay:**—part of the federal government and the provinces. I am concerned about that part of the legislation,

[Senator Olson.]

and should like to know whether this part of the legislation will be abolished.

**Senator Olson:** The requirement that there be liaison and joint planning, and hopefully some co-operation with the provinces, will obviously still be in the legislation, but it cannot take the other form. I am not sure if you are placing a different connotation on the word "compulsory" or not, but we do not pass legislation that compels the provinces to co-operate with us, because we know better.

## THE ECONOMY

### INCREASE IN CAPITAL OUTFLOW

**Hon. H. A. Olson (Minister of State for Economic Development):** Honourable senators, I should like to respond to a question raised on February 19, 1982 by Senator Balfour which concerned capital outflow.

I can inform him that traditionally Canada has been a net borrower on international capital markets and funds have flowed inwards on a net basis from abroad. This was also the case during 1981. During the first three quarters of last year there was a net capital inflow of \$10.4 billion. Official statistics for the balance of payments for the fourth quarter of 1981 have not yet been released by Statistics Canada.

Over the first three quarters of 1981, there were sizeable net outflows on direct investment account, with corporate takeover activity, particularly in the energy sector, playing a large role. On the other hand, capital inflows in the form of new issues of long-term securities abroad were up strongly.

Additionally, there were large capital inflows in short-term forms, related, in part, to takeover activity. Preliminary evidence strongly suggests that outflows related to takeovers eased back considerably in the fourth quarter, while inflows in the form of new issues of Canadian securities abroad increased.

Canada's financial markets are closely linked with those in a number of other countries, particularly the United States. In any period there are both outward and inward financial flows, with Canadian residents acquiring financial claims on non-residents and vice versa. In general, however, the outflows have been outweighed by inflows. To concentrate only on the outflows, especially when there are large flows in the other direction, cannot provide a balanced picture of financial transactions between Canada and other countries.

**Hon. R. James Balfour:** Obviously, the minister did not understand my question, or he has attempted to present a distorted answer. The average capital outflow in the decade 1971 to 1980 was of the order of \$2.4 billion. The capital outflow—I am not talking about the net capital outflow—for the four quarters ending in the third quarter of 1981 was of the order of \$15.6 billion. That figure suggests to me an alarming aberration.

I asked the minister to explain that figure. I am not talking about inflows, I am talking about outflows; I am not talking about net, I am talking about the outflow of capital from