• (2140)

Rather than commenting generally on the contents of the Speech from the Throne, I would prefer to limit my remarks to the proposals which dealt with the broad area of foreign economic involvement and, on the other side of the coin, measures dealing with the encouragement of Canadian business. There is no doubt about the concern of Canadians with the present level of foreign penetration of our economy and its implication for Canada's long-run prospects for national independence and economic growth. A report of our colleague, the Minister of Consumer and Corporate Affairs (Mr. Gray), dealing with foreign direct investment in Canada, and the Ontario report of the interdepartmental task force on foreign investment, dealt at some length with the extent of this penetration.

Let me summarize. Throughout Canada, foreigners control 63 per cent of our manufacturing, 62 per cent of our mining, 99 per cent of our petroleum refining, 83 per cent of our oil and gas industry, 97 per cent of the automobile industry, 90 per cent of the rubber industry, 78 per cent of the chemical industry, 77 per cent of the electrical apparatus industry, 90 per cent of the computer industry and 92 per cent of the aircraft and aircraft parts industry. The penetration continues with approximately an additional 500 corporations being taken over in three years, 1969, 1970 and 1971. No other significant industrialized nation of the world has permitted such a high degree of foreign control in its economy.

The large industrial nations, such as West Germany, Japan, Great Britain and France have controls that make Canada's absence of such controls, by comparison, look absurd. So do middle nations such as Australia. Australia has recently undertaken even more strict controls than they have had in the past. Even developing nations such as Peru, Chile, Liberia and Guyana have strong regulations relating to foreign ownership. Of course, so do countries such as Switzerland, Norway, Sweden and Mexico.

We are unique in the world in permitting such a situation to develop. The rationale for permitting such a high degree of non-Canadian ownership has been that the new foreign capital has given strong stimulation to our economic growth and contributed to our high standard of living. One has difficulty squaring this belief with the fact that Canada's growth performance has been only average among OECD countries, according to the OECD's own analysis, in spite of the fact that Canada's net indebtedness increased by $23 billion between 1945 and 1969.

Another perplexing aspect of this situation is that the so-called new foreign capital is now virtually non-existent. We Canadians, to all intents and purposes, now completely finance the sale of our own economy. The Ontario report which I mentioned earlier points out that in Canada only 10 per cent of the funds absorbed by U.S.-owned affiliates in the period 1963 to 1968 came as new inflow from the U.S., whereas approximately 86 per cent was generated in Canada.

This trend of Canadians financing the takeover themselves increased in the period 1965 to 1969. During this period Canadian banks and our bond markets tripled the financing of foreign subsidiaries in Canada. It is obvious that our own Canadian-controlled financial institutions have been using the savings of Canadians to underwrite the foreign takeover of our economy.

The Gray report underlines the fact that we have as much development capital as we need, if we would use it properly. This fact was underscored in a 1972 study by Shaw and Archibald of the University of Western Ontario business school which concluded that Canada had shifted over the past decade from being a net importer of capital to a balanced position, and more recently to the position of a net exporter of capital.

To re-emphasize, all studies and analyses indicate that Canada does generate enough savings to meet its own current capital requirements, if they were properly channelled. What is at fault is not the size of the pool of savings but, rather, the fact that our financial pipes are clogged. The funds are simply not getting into the hands, in adequate quantity, or our Canadian businesses and Canadian entrepreneurs.

Both the Gray report and the Ontario report deal with some of the other problems of foreign-controlled corporations. There is concern about the high concentration of basic decision-making in the economic sphere outside Canada. These decisions are made in the best interest, not of Canada but of the parent corporation's or parent country's interest. Obviously, these decisions may have a very direct influence on the number of jobs available in Canada and on the level of activity in our economy.

There is also concern about the concentration of the bulk of research and development activities in the parent companies. This results in substantial loss of jobs to Canada, particularly to the young science graduates of our universities. In addition, we often lose the benefits of the practical application of this research in manufacturing activity. Purchasing policies often tend to favour imports from affiliates rather than from competitive local sources of supply.

It is interesting to note that foreign-controlled firms in Canada import a larger percentage of their purchases of goods and services than do Canadian-controlled firms. Unfortunately, this trend seems to be increasing. This may have a cost advantage to the parent, but it certainly has an adverse impact on economic activities and employment in Canada. This also leads to the problem of concern about the manipulation of intracompany prices between parents and their subsidiaries, and of reducing profits of subsidiaries with the objective of moving the profit accumulation to the parent companies. This leaves considerable doubt as to whether the various levels of government in Canada are receiving their equitable share of taxes.

Mr. Speaker, so far in my comments I have tried to indicate the scope of the problem and why I believe we should be concerned. I suggest that in Canada in 1973 we have adequate amounts of our own capital without the need to import foreign equity capital. For these reasons, I was happy to note several proposals in the Speech from the Throne dealing with this very important subject.

The speech indicated that the government intends to enact measures to give aid to small businesses through new initiatives, to strengthen management and consulting services and to improve access to financial facilities. It