



# Bulletin

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## FOREIGN TAKEOVERS REVIEW POLICY

Under a new proposal announced to the House of Commons on May 2, by the Minister of National Revenue, Mr. Herb Gray, the Federal Government plans to review foreign takeovers of Canadian firms valued at more than \$250,000 or with revenues exceeding \$3 million.

The Government will have the authority to allow takeovers that are considered likely to result in "significant benefit to Canada". It will be able to negotiate with a foreign company or individual investor to get a better deal for Canada from such transactions. Takeovers that would not bring a significant benefit to Canada would be blocked.

Mr. Gray's statement to the House follows:

\* \* \* \*

While Canada has generally welcomed foreign investment, over the years we have adopted a number of measures to foster and protect the national

interest. Foreign investment in banks and other key financial institutions has been limited by law. Our broadcasting facilities, newspapers and magazines are subject to specific laws which effectively keep them under Canadian control. During the past decade we established voluntary guidelines for good corporate behaviour by foreign businesses operating in this country. This Government has also set up the Canada Development Corporation to help develop and maintain strong Canadian-controlled businesses. The tax reform of last year contained several measures deliberately designed to encourage Canadians to invest in their own country rather than abroad, and to encourage the growth of Canadian-controlled businesses. And the Government has announced its intentions concerning the production and trade of uranium.

Parliament will now be asked to add an important new measure to these policies. Foreign companies seeking to buy out or take over an existing Canadian business above a certain size will be required to demonstrate that the purchase will result in significant benefit to Canada. The Government is introducing legislation to establish a review process under the authority of the Minister of Industry, Trade and Commerce. In general terms the purpose will be to examine proposals for takeovers of Canadian businesses, to approve those that on balance will be of significant benefit to Canada, to negotiate with the proposed acquirer in those cases where he can reasonably be expected to make a greater contribution to Canadian development, and to refuse to allow those takeovers that would not bring significant benefit to Canada.

\* \* \* \*

Takeovers are the form of foreign investment least likely to add significant benefits to the Canadian economy. The extent of foreign control of a number of industries in Canada is large enough to make the acquisition of more Canadian businesses a matter of concern to the Government and to Canadians generally. If takeovers created only problems it

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