The Bill also provides for a minor amendment to the articles of agreement of the International Bank for Reconstruction and Development, which is the main component of the World Bank group. The amendment raises the share of the total voting power required to accept amendments to the institution's articles of agreement from 80 per cent to 85 per cent. This amendment was agreed to by Canada and the other industrialized countries as part of the recent negotiations for the funding of the International Development Association, the arm of the World Bank which provides concessional loans to the poorest countries.

• (1610)

This Bill will help developing countries marshal the resources they need to finance development. It will do this without creating new debt and obligations for these hard-pressed countries and, at the same time, it will provide useful investment opportunities for Canadians. It is a Bill which deserves our strong support.

Miss Aideen Nicholson (Trinity): Mr. Speaker, may I begin by congratulating the Hon. Minister on the first speech he has delivered since he has been elevated to the Cabinet.

Some Hon. Members: Hear, hear!

Miss Nicholson (Trinity): Mr. Speaker, today, perhaps more than at any other time since World War II, Canadians are aware that their own well-being is inextricably linked to the economic and political security of other parts of the world. The Bill before us today is a reflection of that recognition and of Canada's involvement in international organizations.

The idea for an international insurance scheme has been around since 1948 but was first given serious study from 1960 onward. In 1973, with the rise of protectionism, discussions were suspended. As well, there were ideological differences between the rich and the poor countries, which interfered with negotiations.

In 1981, the then World Bank President raised the idea again and, at that time, it received general acceptance, particularly among countries suffering under crippling foreign debts. In March 1985, a draft convention on the establishment of the Multilateral Investment Guarantee Agency was circulated to member Governments of the World Bank. Since then, more than 20 countries have signed the convention, and Canada signed it on April 10, 1986. Parliament is now being asked to ratify the convention.

At this time, at least 15 developing countries have ratified the convention. In order to be established, it is also required that five developed countries sign it. Of the developed countries, only Japan and West Germany have ratified it. In the United States, both the House of Representatives and the Senate have approved the convention, but the Senate added some conditions which have complicated matters. The conditions are designed to protect U.S. employment and production against possible competition from investments covered by this new agency.

The new Multilateral Investment Guarantee Agency, which is known by it acronym, MIGA, has two main purposes: to guarantee non-commercial risks and to enhance mutual understanding between host Governments and foreign investors. It is designed to be self-sustaining after the original investment. It will be able to vary its premiums charged to investors in accordance with the actual risks assumed, and only investments which are economically sound are to be insured.

MIGA is not meant to compete with national insurance agencies. Rather, it is meant to supplement and to complement them. In Canada, the Crown-owned Export Development Corporation already insures some types of investments, mainly against commercial risks. Most capital exporting countries have investment insurance schemes of their own, but the coverage they provide is far from adequate. It is estimated that all the national programs combined cover less than 20 per cent of current direct investment flowing to developing countries. Moreover, private coverage is often very expensive and limited to the short term.

If MIGA were successfully established, it has been estimated that by 1990, about $2 billion-worth of MIGA guaranteed projects could be in place, many of which would not have been undertaken otherwise. It would appear at first blush that this agency will fill an obvious gap since developing countries are in great need of funds to finance their investments.

The volume of investments directed to developing countries has been substantially reduced in recent years from more than $17 billion in 1980 to some $10 billion in 1983. Commercial bank loans have plummeted since 1981 and are not expected to regain earlier levels in the foreseeable future. Official aid flows are also stagnating.

Developing countries have traditionally viewed foreign direct investments with mixed feelings, but the world debt crisis made many realize some of the advantages that equity investments have over commercial bank loans. Loans must be regularly serviced by the recipient country regardless of whether or not the money was well invested. Foreign direct investments on the other hand must first produce a net benefit before any payment abroad must be contemplated. However, many countries still continue to see foreign investment as a threat to sovereignty, and this probably explains why some countries have not shown any indication of wanting to join this new organization. Conscious of these problems, those who are organizing the new agency have written into its statutes that it will not conclude any contract or guarantee before the host Government or the recipient country approves the issuance of the guarantee.

In Canada, the Foreign Affairs Committee in the other place released a report last May on the debt problem of developing countries. The position taken on MIGA was somewhat neutral. The committee did not see MIGA as being a major player in solving the Third World debt problem, but it