

*Foreign Takeovers Review Act*

It is in this decade, and I believe in the next ten or perhaps 20 years, that essentially we must come to grips with the problem or find ourselves having to talk of reforming the whole of North America in a continental system. If we do not come to grips with the problem now, my generation and generations to come will find themselves more and more involved with the United States of America and its economic system as well as its corporate control.

• (2030)

I had hoped that after the groundwork was laid in terms of reports, this decade would be the one in which there would be action to try to develop a truly independent Canada. But with the government in power and Her Majesty's Loyal Opposition both essentially tied to the corporate interests, I do not think, nor do I believe, that the Liberal party which is holding on to the concept of continentalism will ever come to grips with this issue unless there is a fundamental restructuring of politics in Canada and a strengthening of the position of the NDP.

We have had a decade wherein we should have made a decision, but the end result is this piece of legislation which is before us now. As the hon. member for Waterloo (Mr. Saltsman) and the hon. member for Duvernay (Mr. Kierans) pointed out, it is almost an act of treason in some sense of the word for this kind of legislation to be produced, a piece of legislation which deflates the great anticipation of Canadians and of the younger generation that we will come to grips with foreign ownership in our economy, that we will really delve into the problem, show some imagination and hit it head on.

Why does a foreign company invest? It invests to make higher profits relative to the risk it must take. Some people suggest that because of the small market in Canada, Canadian subsidiaries do not have advantages in production. However, Canadian subsidiaries of international companies usually hold a superior competitive position with similar domestic plants simply on the grounds of their relationship with the parent company. This allows them to expand and grow to the disadvantage of the domestic plant, and thus it allows an eventual takeover.

There is no aspect of this bill that deals with such expansion on the part of such corporations, no attempt to curtail it and redevelop the direction in which we are heading. The smaller size of the Canadian market is not a hindrance to these multinational firms but, in fact, leads to the establishment of small plants and thus increases the advantages of the multiplant corporations which give the small plants access to large-scale markets. This lowers the cost as well, which gives multinational firms a further advantage over the domestic plant.

Many sectors of our economy have fallen into foreign ownership, such as Canadian patents 90 per cent of which are foreign owned, 70 per cent by Americans. Foreign ownership of industries is highly concentrated in what I would call an oligarchical position where they fix prices in terms of the Canadian economy. When people talk of the free enterprise system where there is competition, I suggest they talk of something that is far removed from reality.

[Mr. Knight.]

Foreign ownership is highly concentrated in industries which have control of the market, such as the tobacco industry, the automobile industry, aircraft, oil, rubber, etc. Corporations may generate millions of dollars of profit to their shareholders. However, one must consider where the shareholders reside. The multinational corporation hinders the more equal distribution of income. One need not delve deeply into the tax system in order to note the kind of corporate tax cut which we saw in the budget which further enhanced the position of multinational corporations in the Canadian economy.

Many members of the House have pointed out in the past some of the difficulties which we face in terms of controlling our economy and have given examples such as the one referred to by the hon. member for Duvernay in his speech last fall when he spoke of the income tax bill relating to our exports and the control of our economy. He said:

An additional \$1 billion export of energy to the United States, for example, would give us in this country \$68 million in wages and salaries. But that balancing inflow on which Mr. Connally and Mr. Nixon are insisting in manufactured goods could mean that we are importing anywhere from \$200 million to \$350 million in their wages and salaries, depending on the industry. If it is the furniture industry, we would be exchanging \$68 million for \$330 million. If it is the textile industry, 26 per cent of \$260 million on an average of their output is composed of wages and salaries. If it is agriculture, wheat or products like that—and I am at no time speaking of pulp and paper or wheat and fish and hydro electric power, which are renewable resources; I am speaking of non-renewable resources and agricultural products—the average is 26 per cent. If it is pulp and paper, the average is again 26 per cent. So we are exchanging 6.8 per cent or \$68 million out of \$1 billion, for \$260 million. We cannot have our cake and eat it too. It is some exchange! There may be a balance of trade in dollar terms, but there is no balance of trade in jobs or wages and salaries.

This points out the dilemma which we now face in Canada. We are in fact exporting jobs, salaries and skilled labour. Further to that, as I previously mentioned there is the relationship of the multinational corporation to the whole area of the laws of the country. What develops in the multinational corporation, in an economy controlled by it, is a duality, one loyalty to the laws of the mother nation and the other to the laws of the parent company. Both of these can affect the trading aspects of the nation. The American anti-trust laws and trading with the enemy act both affect the kind of trade and distribution that Canadian industry has allowed when it is controlled by the parent company. American moral, political and economic judgments are fostered in foreign nations through the roots of the multinational corporation.

As I suggested previously, corporations take away Canadian talent which is in the hands of the parent company. Some of these remarks are based on comments made by such people as the vice-president of Dupont Company of Canada who once stated:

Clearly any subsidiary is always the chosen instrument of its parent company. The very reason for its existence is to carry out the function of the parent in its designated sphere of activity and it must recognize this relationship in all its actions.

That is the loyalty to the parent company. Therefore, what develops is a kind of over-all government policy, a policy that affects people in the multinational corporations and people in control of the domestic affairs of the nation, and thus the government loses that kind of power.