

*Foreign Investment Review Act*

this side of the House and the government side with regard to the notions of the necessity for, and the role of, foreign investment in the Canadian economy in the future. Certainly there has been a large volume of foreign investment in the past. That has had both beneficial effects and detrimental ones on the Canadian economy. I think such things will come out during the review which the special committee will be performing. I do not think we can say at this point in time that in the future all the effects of additional foreign investment will be beneficial, by any means. It must be a matter of extremely close scrutiny by the committee and the House to determine exactly the role of foreign investment, and the kind of agency we require to review foreign investment, to ensure it plays the role we have decided it should.

I should like to review for a moment the fact that the Foreign Investment Review Act was conceived in late 1973. Part I was implemented in April, 1974 and part II in October, 1975. As was stated by the minister earlier, the purpose of the act is found in section 2. It reads as follows:

This act is enacted by the Parliament of Canada in recognition by Parliament that the extent to which control of Canadian industry, trade and commerce has become acquired by persons other than Canadians and the effect thereof on the ability of Canadians to maintain effective control over their economic environment is a matter of national concern.

Even though the Foreign Investment Review Agency has been in effect since October, 1975, that concern of Canadians has not been reduced to any substantial extent, from the information I have available to me.

I should like to refer to a speech that was given in 1977 by the hon. member for Windsor West (Mr. Gray). He said the following:

The wording of section 2, setting out its purpose, clearly states that Parliament believed that the level of foreign investment was at so high a level that the matter was one of national concern and, therefore, this level of investment should not be allowed to go higher unless it was proven to be of "significant benefit to Canada". In other words, if such investment was not of significant benefit then it should be blocked.

Of course, he was referring to Parliament at that time. The Foreign Investment Review Agency was set up for exactly that purpose, to review and if necessary to block. I think we have seen in the past that perhaps this review function has not been performed to the extent it might have been in Canada's interests. Therefore, I am glad to see that we will have a special committee to look into these matters and indeed strengthen the Foreign Investment Review Act, not reduce its scope, flexibility or power.

I should like to relate back to the role foreign investment has played in the past. There can be no doubt that the growth in the standard of living of Canadians has been somewhat faster as a result of foreign investment than probably would have been the case without it. But also the problem arises that a period of 30 years or 40 years of depending on foreign investment to provide the growth rate in our standard of living which we have enjoyed in the past has led us to a situation where now a very large proportion of our economy and society, from an economic perspective, is controlled by those outside

[Mr. Evans.]

our own borders whose interests very well may not be the same as they are here in Canada.

● (1420)

As a result of foreign investment coming into this country we find a situation in which, when that investment is greater than what is generated internally, and greater than our outflows, the value of the Canadian dollar is forced higher than it would normally be. The natural effect of having the value of our currency held through these types of forces at a level above what it would hold at in equilibrium conditions is that Canadian exports are put at a disadvantage in foreign markets and Canadian domestically produced goods are put at a disadvantage to imports in our own market.

It is not surprising to me and it is not surprising to a great many economists that, as a result, secondary industry in Canada has been put at a very distinct disadvantage to manufacturers in foreign countries, with the result that our own domestically produced consumption goods are put at a disadvantage to foreign produced goods. We have not developed the kind of secondary industry in Canada that we very well could and should have produced; thus the increase in our standard of living has been greater than would otherwise have been the case.

After depending for so many years on foreign inflows of capital, the time comes when all of that investment, whether it be directly or portfolio, has to be paid back in one form or another. Either it is paid back in the form of repayment of debt, or it is paid back in the form of returns going out of the country in dividends and service payments by subsidiaries of foreign-owned corporations in Canada to parent corporations in other countries. We are starting to see that happen now. The biggest chunk of our current account deficit is made up of dividends and interest payments leaving the country.

It seems to me we must conduct a very serious review at this point in time to ensure that, if we are going to go the route of requiring or allowing future foreign investment to be the main source of capital for the growth and development of the Canadian economy, we will not worsen the situation, and certainly not make it any more of a problem for Canada in the future.

We have reached the point where foreign-controlled firms dominate our principal economic sectors. One of the problems I see is that retained earnings reinvestment is the major source of foreign investment in Canada now. Foreign investment coming across the border from outside is not the main source; rather it is reinvestment of retained earnings by firms owned and controlled by foreigners who reside in Canada. They are reinvesting the earnings they have made in Canada through the expansion of their operations here in this country, and this, of course, continues to expand foreign control.

Let me just refer very quickly to today's *Ottawa Citizen* which on the front page states:

The foreign-dominated petroleum industry has launched a wholesale takeover of all Canada's mineral and energy resources, the government reported Thursday.