tion of the branch plant philosophy that has continued in some industries in this country up to the present time.

It was not only businessmen and governments who took an interest in foreign investment in Canada. The public in general did. At one time they took an interest in it by encouraging it. Another time they were concerned over it and afraid of it and yet at other times the attitude could only be described as lackadaisical. If you look at the literature and at the studies in regard to foreign investment in this country, you will be struck by one important fact, and that is that it took economists and others interested in foreign investment a very long time before they started to take a look at the different impacts that came from portfolio investment and direct foreign investment. It took a long time for the different effects of these two types of investment to be really understood.

There are some among us, as there are in every country, who believe that foreign investment *per se* is a beneficial thing. This approach is based on the economic view that the country that is receiving the investment should address, not the question of foreign ownership or control but, rather, the direction and inter-relationship of an industrial policy. Honourable senators, thoughtful Canadians, I am sure, will not accept that tenet without reservation, and those who do accept it with reservation recognize that you have to include exceptions. Once you start to include exceptions, you are in the position of imposing and dealing with sectoral limitation on foreign investment. We have found that in Canada.

Public policy as reflected in legislation has responded in a number of ways. For example, sectoral limitation on foreign investment, limitation on schedule A banks, limitation on investment in transportation, whether it be by rail or air, and limitation on foreign ownership in certain media such as broadcasting. At different times in our look at foreign investment, we look upon portfolio investment as affecting balance of payments and many of us do not really think that that is a difficult problem to control. On the other hand, direct foreign investment as it involves necessarily control by foreign nationals is one that does concern many people. If you look at the history of the development of Canada, particularly in the 1950s and 1960s, you will find that there were those who were becoming more and more concerned. They looked upon direct foreign investment as challenging our national autonomy, and there grew throughout the land a movement for government action and government restraint. It was believed by the people in this movement that the effect of direct foreign investment, as we were experiencing it, was resulting in a truncation of the economic activities in this country.

● (1520)

I am quick to see changes in the public attitude as the question of unemployment and the question of jobs reach a higher place on the priority ladder. There is no question that the need for jobs in Canada and the concern that brings to many people has given it a pre-eminent position, indeed, over some of the concerns with direct foreign investment. However, having said that, I think we must also be cognizant of the fact that the Science Council of Canada has continued to claim that the low levels of productivity in Canadian manufacturing have been due primarily to the high degree of foreign ownership. I know that there is much evidence to suggest that the "branch plant" syndrome that I have referred to limits Canadian organizations and limits Canadian industry in its competitiveness, in its use of technology and in its meeting of foreign market demands.

Honourable senators, if you look at the figures, you will find that the dominance of foreign investment in mining, in oil and gas, in transportation equipment, in chemicals and in electrical products was of such a degree that it constituted a target for aroused feelings of economic nationalism. It surprised me that when the minister, the Honourable Sinclair Stevens, appeared before our Standing Senate Committee on Banking, Trade and Commerce, he was quick to acknowledge the necessity for limitation of foreign ownership in our banks, in the Canadian interest. However, he was not, apparently, able to see the need for limitation in the ownership and control of those companies that search for and produce fossil fuels. I cannot help but wonder whether his sanguine attitude reflects the realism of the future demands for fossil fuels and the necessity to maintain equal productivity, availability and pricing. I question whether those can be left to foreign control of companies who are involved in that business, without any control by the government of the country in which they are operating.

Again, looking at the figures, that economic nationalism that I spoke about earlier, that aroused feeling of national concern, really resulted from the very quick growth in foreign investment in Canada following World War II. Foreign investment in Canada more than doubled in a very short period of time. Another thing that concerned Canadians was the shift in that foreign investment. Before the war, there was a significant amount of European foreign investment—and particularly United Kingdom foreign investment. That fell off very rapidly in the 1950s to approximately 15 per cent, and the largest amount of foreign investment in this country became investment from the United States.

There is no question about the benefit that some of the investment did bring to this country. It opened up many of our natural resources. However, having done so, it raised the question of what kinds of controls should be exercised over companies that control natural resources, particularly those that are finite. As a result of this development, and after analysis and hearings, the Liberal government of the day enacted legislation to establish the Foreign Investment Review Agency in 1974. In doing so, they were following a trend that is found in many other countries, and some honourable senators who have been in business, and particularly in a multinational or trans-national sense, recognize that severe limitations are put upon foreign investment in other countries such as Australia, the United States, Mexico, Spain and other countries in Europe. The FIRA bill, taken in that context, was not such a great inroad into the area of freedom of investment. It was less stringent than the legislation in many other countries.

Regardless of that fact, from the outset this bill received from the opposition parties, and particularly the Tories, a