government bringing forward promptly a long-term policy on the regulation of foreign investment.

The hon. member for York South (Mr. Lewis) was kind enough to refer to the report presented to the House over a year ago by the Standing Committee on External Affairs and National Defence. That report established clearly, I believe, that we have over the years drifted into a position of undue economic dependency upon the United States. It pointed out the dangers of such undue dependency and it made very specific recommendations for legislative action.

The present state of emergency caused by the United States surtax has merely underlined the problem and the importance of developing a long-term policy on foreign investment. Clearly any such policy must take into full account the vital regional differences which exist in Canada with regard to capital requirements, but obviously a long term policy is required.

Action by the United States to meet its balance of payments problem is not new. They have been trying to find solutions since at least 1963. Their problem is due in part to the increasing competition faced by United States firms as other countries have recovered from the results of the last war with a corresponding decrease in the United States favourable balance of trade on current account. It is also due in part to the drain caused by the continuance of the Viet Nam war and large military expenditures all over the world. But it is also due in large measure to the fact that large United States corporations, and particularly its multi-national corporations, have used American capital to take over on a massive scale, businesses in Canada and Western Europe.

• (3.20 p.m.)

It has been pointed out that last year our commodity trade with the United States was favourable to us and that when invisible items are taken into account Canada now has only a small deficit in its current account with the United States. However, over a longer period, since the end of the last war, our imports from the United States have exceeded our exports to the United States by about $12.5 billion and most of that deficit has been made up by imports of U.S. capital. As a result we have now reached the point at which about 60 per cent of our manufacturing and resources industries are controlled by non-residents of Canada, mostly by residents of the United States.

Our present economic dependency is one of the results of the policy we have followed in the past. Since 1963 the Americans have taken steps to regulate and limit the export of American capital abroad. We have always asked for, and have always obtained, an exemption—on conditions. I suggest very strongly that for the future we make it very clear to the United States that we would much rather dispense with all such exemptions than be burdened by a surtax on our legitimate exports.

In recent days, certain news reports have suggested that the purpose of the United States surcharge is not only to increase production within the United States and force a reasonable revaluation of under-valued currencies, but that it is also designed to force certain countries, notably Japan, to ease their restrictions on American investment.

I trust the government will try to run down the truth of these reports because any such use of the surcharge would be an intolerable interference with the right of each country to regulate foreign investment in its national interests. If there is any suggestion that this is, in fact, one of the purposes of the U.S. surcharge, I hope the government will make the strongest possible objections and that, in any event, it will proceed with the greatest possible speed to introduce long-term and comprehensive policies to regulate foreign investment in this country. In the meantime, however, stop-gap legislation of the kind contained in the bill before us is necessary and deserves the support of all members of the House.

Mr. J. P. Nowlan (Annapolis Valley): Mr. Speaker, I have listened with great interest to the hon. member for St. Paul's (Mr. Wahn) and others who have taken part in this debate. I share the concern felt by members in all quarters of the House over the action unilaterally taken by the President of the United States on the night of August 15.

Bill C-262 envisages a program of immediate support for industries which may be adversely affected by the imposition of a 10-per-cent surtax across the board, but to put this aspect into its complete context I should like to review briefly the total package which was presented by President Nixon to the American public. Some of these new arrangements, by virtue of the President's executive power, have already come into operation. Other aspects will be debated by Congress in due course and will presumably be passed in due course. We are all familiar with the first proposal, the freeze on prices and wages for 90 days. Then, there was the announcement that the American dollar would no longer be convertible into gold, in effect freeing the U.S. dollar and helping to correct the present imbalance of United States trade.

The 10 per cent surtax which has been the primary subject of discussion in this chamber is only one aspect of the President's package proposal. There is something called DISC—the Domestic International Sales Corporation—which is to be used as a device whereby the United States government, through tax deferral of earnings from export sales will, hopefully from the United States point of view, improve the export position of American producers in order that the deficit position of the U.S. dollar in so many trading areas may be altered. Mr. Nixon further proposed that there should be a job development credit established to defray up to 10 per cent of the cost of new machinery and equipment, a further measure to stimulate the internal economy of the United States. The President also suggested that the 7 per cent excise tax on automobiles purchased by Americans be eliminated. This would result in a reduction of about $200 in the price of cars to Americans.

The President went further. He suggested that in order to restore business confidence to the American people, certain income tax exemptions be introduced more rapidly than had been planned. As I understand it, the exemptions were to have been increased—the Canadian Minister of Finance (Mr. Benson) has put forward a somewhat similar proposal—but the difference between the situation in Canada and the situation south of the border is that we are still talking about it up here whereas in the United States it has been decided that the tax exemptions are to