

Foreign Control of Canadian Industries

In effect this will likely bar future acquisitions by foreign companies of any firm which is a member of the Toronto Stock Exchange. The reason for this is that any firm large enough to be in a position to acquire a Canadian firm would likely be a member of the New York Stock Exchange, and on its side the New York Stock Exchange has a ruling that all members must own 100 per cent of any subsidiary. This would mean that the American company proposing to take over the Canadian brokerage firm would have to relinquish its membership in the New York Stock Exchange to take a minority position in the Canadian firm. This is not likely to happen.

To what extent is Canadian industry controlled by foreigners? The foreign control of corporations located in Canada is concentrated in manufacturing, petroleum and natural gas, and mining and smelting. Foreign control of Canadian manufacturing industries has increased from 35 per cent in 1926 to 60 per cent in 1963. In mining and smelting foreign control has increased from 38 per cent to 59 per cent during the same period. Our petroleum and natural gas industry is 74 per cent foreign controlled. There are some areas of the manufacturing sector where the foreign control is extremely high. For example, foreigners control 97 per cent of the automobile, automobile parts and rubber industries. Foreign ownership controls 78 per cent of the chemical and electric apparatus industries. Foreign investment in Canada at present totals approximately \$40 billion.

We have not been nearly as fortunate as our American friends to the south. The development of their industrial base, which was capitalized to a very large degree by European money, was done on a debt basis rather than equity financing. Canada's foreign capitalization is primarily of the equity type. The result in the United States was that the bulk of the debt was retired leaving American nationals owning the industry, and those parts of their industrial capacity which were still foreign owned were to a very large degree bought back during the First and Second World Wars when the European nations were destitute. As I said earlier, unfortunately we are not in such an enviable position.

Two of our major goals must be national independence and a rising standard of living. The question is whether these two goals are irreconcilable. I do not believe that they are. It is therefore imperative that the government develop policies to achieve the optimum

[Mr. Buchanan.]

of both national independence and an increasing standard of living. This will require precise and definite policy, and not vague and generalized exhortation. Unfortunately, this problem is more complicated in a federal state like Canada, as the Prime Minister (Mr. Trudeau) pointed out the other day when referring to the Royal Securities situation, that it is primarily unitary states like Japan, France or Great Britain.

• (9:40 p.m.)

However, I believe that there is still room for manoeuvre open to the federal government. First, I believe that we should be using our tax system as effectively as possible to maximize benefits for Canadians from foreign direct investment. I also believe that we should grant special tax arrangements to encourage greater Canadian ownership of Canadian firms. I am optimistic that the Minister of Finance (Mr. Benson) will be announcing steps in this area next Tuesday. Second, I believe that we should give birth to our long awaited Canada Development Corporation. Its size and semi-public nature would permit it to make a significant contribution in putting together syndicates of investors, domestic and foreign, and thereby enable it to carry out large projects beyond the capacity of any single institution and yet still maintain a Canadian presence. It should be permitted and encouraged to be active in all segments of our economy. I was very sorry to see that it will likely not get before the house before the end of this session.

I am certain that the Canadian public, after watching our performance here in this chamber over the last few months, will be far more receptive to the idea of some rule such as 16A which would permit the government to program legislation so that we could avoid this situation in which legislation which is vital and important for our country is being so unconscionably delayed. I feel that we on this side were very lax in the rules debate last December when we did not get the message across to the Canadian people that, far from choking off debate, the new rules provide 25 opposition days each session, such as today, when the government can be attacked on any subject of the opposition's choosing.

Finally, I think that the government should take steps to ensure a degree of Canadian participation in foreign owned firms and also a Canadian presence at the decision-making level in the board room. Countries such as Mexico and Japan seem to have been able to