

Foreign Investment Act

corporate manner, obviously a change is needed. That change should not take the form of wiping out the beneficial treatment for the United States citizens but rather by extending it to Canadian families.

The reason for proposing that solution to the inequity is that the present tax law already imposed unwarranted and harsh tax discrimination and disadvantages upon Canadian families who are in business together. And that is not in Canada's best long-term social and economic interest.

I think we all agree with that proposition.

Again, in the interests of fairness, I want to point out that some recent tax law changes have had the effect of fostering Canadian ownership. For example, tax legislation requiring that any Canadian-owned private corporation being taxed at the lower rate of 25% on the first \$400,000 of profits must retroactively repay the federal government the benefits received from the use of the lower rate if it is subsequently sold to non-residents provides an example of what can be done.

In this regard, I commend the government for having taken that step.

Canada is now in a better position, as are Canadian financial institutions, to invest domestic capital to invest Canadian savings, in the development of our nation.

● (1540)

In the past, and to some extent at present, Canadians have been and are curiously reluctant to invest in the development of their country. To their everlasting and extreme discredit, a succession of Canadian governments have not been providing our people with the proper incentives for this kind of investment.

The position taken by the Toronto Stock Exchange on investment policies is a very sensible one. While furthering the principles implicit in lessening the effects on Canada's economy of foreign investment, the Toronto Stock Exchange makes the following points. They say that our existing financial institutions have emerged as a powerful instrument for collecting Canadian savings and, in recent years, Canadians have shown a willingness to invest in new Canadian issues. They go on to say:

We are confident that with the maturity of our financial institutions, the expanding savings base of Canadians and the increased maturity and liquidity of our capital markets, Canada has reached the threshold of where it can be more selective in the way in which non-resident capital has been permitted to come into our country. Canadians can be much more prudent about the price which they pay for non-resident capital. We do not rule out, however, the desirability of having non-resident capital flowing into our country provided it is on terms which are consistent with the objectives of Canada and its citizens.

This, Mr. Speaker, is the common theme advanced by people having many different ideas and basic philosophies on government and business. The common theme is that there must be an attitude fostered in this country by governments, business and the average Canadian that we, as Canadians, are entitled to the primary benefits of our initiative, our natural resources and our heritage. However, we can find a useful place in the development of our nation for foreign investment capital.

The Toronto Stock Exchange makes a very interesting and pertinent distinction between the types of foreign investment most common. They say it is of vital importance to establish a clear difference between portfolio investment and direct investment. True, portfolio investment is purely passive in relation to the question of

control and management. Direct investment is the use of shares for the purpose of control and active involvement in the management of the affairs of the corporation.

Certainly, it should become apparent that we should try as much as possible to reduce the equity investment in proportion to that of passive portfolio type investments when we are looking at the whole issue of the types of foreign investment that should be encouraged. Most of all, it must be apparent that at any time when a province suffers from the effects of Bill C-132 we, as Canadians, in other parts of the nation and the federal government in particular, through its jurisdictional capacity, must make available capital to replace the equivalent of that which has been lost by this policy of advancing a truly Canadian economy. It is not right to expect any one part of Canada to bear more than its fair burden in achieving this very laudable objective.

I have every hope that this government is politically aware, and has a sufficient amount of the milk of human kindness embodied in it for it, although I doubt that when I see how they have been dealing with some of our western provinces. However, I sincerely hope they will keep in mind the absolute necessity of making alternate sources of capital available, if it turns out that the sources of capital from abroad diminish to an alarming extent.

The first motion in my name, and those which will be discussed later, are designed to encourage more input and consultative procedures as far as the provinces are concerned, to deal with this type of legislation. Judging from what has happened in the past, and what is happening at the present time, it is obvious that the provinces have every right to be concerned about the way the central government has been dealing with their economic aspirations.

I will be very interested to hear the Minister of Regional Economic Expansion (Mr. Jamieson) speak in this debate. As the former Minister of Industry, Trade and Commerce mentioned, there is an obvious link between the attempts being made by this government to foster the economic advancement of the poorer regions of this country, in the process of which they spend hundreds of millions of dollars, and the other side of the coin, which is to try to promote the advancement of Canada's economy by placing greater control of it in the hands of Canadians. In doing so, the government would regulate the type of capital that is available for this purpose. The two policies must surely be considered together.

I trust the minister will be flexible in his approach and sympathetic toward the concerns manifested by the provinces. I hope he will not begrudge the provinces the opportunity to have more input, but will make it possible for them to exert greater influence in considering basic matters of policy, which ultimately remains in his hands. I trust the minister will immediately send to the provinces the applications referred to in this act, advising them of people who wish to come into this country to start a business, or who otherwise fall within the purview of this legislation. He should immediately let the provinces know about these so they will not hear about them later and, in a spirit of confrontation, wonder what was done before they were brought into the picture.