exceed $1 million. The CDC is not expected to make investments that do not meet a profitability criterion.

In regard to tax policy, last June the budget featured several proposals to increase the attractions to Canadians, relative to non-residents, to acquire equity in Canadian enterprises. The then minister of finance listed four main features as follows:

> First, Canadian corporations will be permitted to deduct as an expense, interest on funds borrowed to finance the purchase of shares in other corporations ... (eliminating) a disadvantage which Canadian corporations have had in competing with foreign corporations in takeover bids. Second, the 10 per cent limitation on foreign assets of pension funds and retirement savings plans will have an important influence in channelling the funds of these large intermediaries to Canadian businesses. Third, the lower tax rate for small business will be available only to Canadian-owned companies ... Finally, the form of the dividend tax credit makes the incentive to invest in shares of Canadian corporations even more attractive than it has been for most Canadians.

In addition to this there has been a public investment policy and attendant regulations. Government investment in rail and air transport, telegraph facilities, atomic energy and, at the provincial level, in electricity generating and other utilities has had the effect in increasing and maintaining a high level of Canadian ownership in these areas.

• (2140)

Government regulation in the transportation and communications fields, among others, are also helping to ensure behaviour by national firms that is consistent with national objectives. I think that although public investment and regulations have not been designed primarily as an element of foreign investment policy, they have in some industries ensured a Canadian presence and, in other industries, behaviour consistent with Canadian policy.

May I, for a moment, look at controls that other countries impose on foreign capital investment. Of all the western developed countries, including Japan and Mexico, none has such a high proportion of its economic production controlled by non-nationals as this country. In countries where foreign ownership is at all significant, the foreign owners are usually from several other countries; but in Canada four-fifths of direct foreign investment comes from one country, the United States, the most industrially powerful country in the world.

Governments use various methods to control and direct foreign investment, including screening processes, exchange controls, control over access to domestic savings, mandatory rules over share transfers, ownership of real property by non-nationals and participation on boards of directors and management. In addition, all countries elaborate specific key sectors in which foreign investment will be prohibited or severely restricted. In cases where specific sectors are not elaborated, an implicit sector approach is often utilized by the general screening process.

The United States, the Netherlands, West Germany and Denmark have very few restrictions on direct foreign investment. The United Kingdom, Australia, Belgium, Italy and France welcome foreign investment but bargain with the potential investor in order to ensure that the foreign investment will meet the needs of the host country. Performance, location and type of industry are all discussed and negotiated in those countries. Sweden and Norway, despite the absence of major formal restrictions, protect key sectors rigidly. Similarly, Italy, Austria, France and the United States exclude foreign investment from significant sectors of their economy. Mexico and Japan follow an actively nationalistic policy. In Mexico the principle is that new foreign capital should be seen as a supplement to internal savings. In Japan foreign participation is not allowed until the industry is seen to be ready to compete internationally.

These countries have used a number of policies to control foreign participation. Some countries have adopted a general screening process whereby all foreign investment requires government approval. This vehicle is used by the United Kingdom, Norway, France, Japan and Mexico. To a lesser extent, often in the guise of exchange controls, Italy, Belgium, Sweden, Denmark, Austria and Australia use this process. Certain countries also use such exchange controls and limit access to domestic savings. Foreign takeovers are often financed by the host countries.

In Canada I believe this is one of our real difficulties. To avoid this France, for example, requires that all or part of an investment requirement must be financed from abroad. In the United Kingdom all takeovers must be financed from abroad. Frankly, I think we ought to move in this direction as well. I think it is inappropriate for foreign people to come to this country and buy up our industries with our money. They do this by borrowing money from our banks and lending institutions. I think the committee must look carefully at this area.

Another technique is limiting share transfers and the percentage of real property which can be held by non-nationals. In Sweden, companies can prevent the sale of their shares to non-nationals. Switzerland and Japan use different categories of shares for foreign nationals, and thus control remains in the hands of nationals, that is, in the hands of citizens of the host country.

Mr. Benjamin: What does the hon. member think of that?

Mr. Cafik: Switzerland, Norway, Denmark and Sweden do not allow non-nationals to purchase real property. Also, some countries limit participation on boards of directors and in management. For example, the Scandivanian countries insist that there be a majority of nationals on each board. Other countries, such as Japan, insist that management remains entirely in the hands of citizens of that country no matter what percentage is owned by foreigners. Britain and Australia prefer to see a majority of their nationals on boards of directors. Generally speaking, this is another bargaining point to be settled by those countries.

Mr. Benjamin: Where does the hon. member stand?

Mr. Cafik: All countries, whether they formally assume a liberal or very nationalistic stance, use the key sector approach in this field to some extent. I have enumerated some of the approaches that have been adopted by other countries. When the committee reviews this bill it ought to take those factors into account and consider, particularly,