## AFTER RECESS

The House resumed at 2 p.m.

**Mr. Sinclair Stevens (York-Simcoe):** Madam Speaker, I intend to speak to motion No. 1, and hope the House will support it because I believe it deals with an important question of principle. The Industrial Development Bank functioned effectively as a direct subsidiary of the Bank of Canada. I note that in the 12-month period ending November 27, 1974, the assets of the Industrial Development Bank rose to $952.7 million, the increase being $247.4 million, in the 12 month reviewed in the Bank of Canada weekly statistics publication.

I mention this because when we consider motion No. 1 we must also bear in mind that the Industrial Development Bank plays a much more important role in the financing of small businesses in this country than it used to. I think this is good. We must remember that the Federal Business Development Bank, which is really a reconstituted Industrial Development Bank, will come under the direction of the Department of Industry, Trade and Commerce. The majority of the directors of the new bank will come from the private sector. If we contemplate increasing the money supply of the new bank from $1 billion to $2.2 billion, we should also consider the manner in which the newly constituted bank will expand its operations.

● (1410)

In committee Mr. Clark, the general manager of IDB, made it clear that he anticipated the new bank would increase its lending by about $250 million per annum. That is the extent to which small businesses in Canada will be helped. I mention that for this reason: most of us acknowledge that foreign ownership in this country has grown more than it should. I believe that the foreign investment review legislation was good so far as it went. It was a first, hesitant step. For example, it did not cover small businesses with assets of less than $.25 million or sales of less than $3 million. We must make sure that money made available to the proposed Federal Business Development Bank will not be diverted to support foreign-owned businesses in this country, as such businesses will be unrestricted in their efforts to take over small businesses with assets under $.25 million and sales under $3 million per annum. That is to say, small businesses will be subject to takeover without any limitation or screening on the part of the government.

The Federal Business Development Bank will be empowered to lend foreign-owned companies money with which to buy up Canadian businesses. If such foreign-owned companies are already doing business in this country, they may apply to the new bank for funds with which to expand in Canada. Sometimes we choose to ignore the extent of foreign investment in this country. For example, the international economic report of the President of the United States, transmitted to Congress in February, 1974, shows that in 1972 American firms owned $44.1 billion of assets in this country. This represents by far the largest investment that United States firms have made in any country outside their own.

What is the impact on Canada of this type of investment? First, it is difficult to identify it, but we know that dividends going to residents outside Canada have increased sharply. We know that retained earnings of corporations controlled in this country by foreigners are soaring. The firm of Loewen, Ondaatje, McCutcheon & Company Limited in an interesting review of this matter explained the situation in this way: they speak of dividend trends in Canada and the United States and then say:

> What is more difficult to explain is the exceptionally strong growth performance of Canadian dividends paid to foreigners since 1969. One possible explanation might be that profits of foreign subsidiaries based in Canada have been growing substantially faster than profits of primarily Canadian-owned businesses, thereby permitting a faster growth in dividends paid to non-residents.

Imagine, here is a highly regarded investment research house saying something which politicians ought to say, namely, that foreign-owned businesses in Canada are prospering more than Canadian-owned businesses. They point out that in the period 1956 to 1969 there was an average real growth in dividends paid to Canadians of 4.87 per cent. Yet dividends paid to Canadians in the period 1969 to 1973—years when the Trudeau government was in power—tell, in real terms, by 2.07 per cent. And consider what happened to foreign dividends: dividends paid to non-residents in the period 1956 to 1969 went up at an average rate of 2.51 per cent per year.

**Mr. Drury:** In real terms?

**Mr. Stevens:** In real terms. I am pleased that the Minister of Public Works (Mr. Drury) is listening. In the five-year period 1969-1973, dividends paid to non-residents went up, in real terms, at an average rate of 4.61 per cent. On the other hand, in the last five years dividends paid to Canadians went down at the rate of 2.07 per cent, in real terms. Madam Speaker, I mention these facts because in considering motion No. 1 we must do so in the context of what is happening in Canada today.

● (1420)

One of the reasons we are barely balancing our trade figures at the present time is that we have an increasing outgo of dividends, interest payments, royalties and other charges to foreigners who hold interests in this country. With that background, surely motion No. 1 is worthy of consideration. It simply says that when dealing with an institution which will be subsidized by the people of Canada and is designed to help small business in this country—namely, the Federal Business Development Bank—let us make sure that the funds within the bank are not diverted in order to help foreign interests still further.

I do not believe in artificial barriers to keep out foreign investment. On the other hand, I am a strong proponent of giving incentives, and every break possible, to Canadian businesses to help them compete against foreign-controlled interests. The least the government could have done was to indicate in the bill that preferential treatment should be given to concerns owned, certainly majority-wise, by Canadians. Why is there no suggestion in the bill that Canadian concerns should get an interest advantage or special funds at substantially lower rates than would ordinarily be charged to non-Canadian concerns?