Finance, the Hon. Michael Wilson, signed it himself on behalf of the Canadian Government on April 10, 1986. Parliament is now being asked to ratify the Convention, which will come into effect when it has been ratified by at least five developed countries and 15 developing countries on the understanding that these countries will provide at least one-third of the capital authorized by MIGA.

At this time, at least 15 developing countries have ratified the Convention. Of the developed countries, only Japan and West Germany have ratified it. In the United States, both the House of Representatives and the Senate have approved the Convention, which is now being considered by a joint committee of Congress. In contrast with the version adopted by the House of Representatives in the United States, the Senate Bill sets various conditions to ratification by the United States, which are designed mostly to protect U.S. employment and production against possible competition from investments covered by MIGA.

MIGA has two main purposes: To guarantee non-commercial risks and to enhance mutual understanding between host Governments and foreign investors. It is designed to be self-sustaining. It will have to operate in accordance with the principles of sound commercial practice and sensible financial management. It will be able to vary its premiums charged to investors in accordance with the actual risks assumed, and only investments which are economically sound are to be ensured. MIGA is not meant to compete with national insurance agencies. Rather it is meant to supplement and to complement them.

In Canada, the Crown-owned Export Development Corporation already insures some types of investments, mainly against commercial risks.

Most capital exporting countries have investment insurance schemes of their own—either public or private—but the coverage they provide is far from adequate. It is estimated that all the national programs combined cover less than 20 per cent of current direct investment flowing to developing countries. Moreover, private coverage is often very expensive and limited to the short term. If MIGA were successfully established, it has been estimated that by 1990, about $2 billion-worth of MIGA guaranteed projects could be in place, many of which would not have been undertaken otherwise.

It would appear that MIGA will fill an obvious gap since developing countries are in great need of funds to finance their investments. The volume of investments directed to developing countries has been substantially reduced in recent years from more than $17 billion in 1981 to some $10 billion in 1983 according to conservative estimates. Commercial bank loans have plummeted since 1981 and are not expected to regain earlier levels in the foreseeable future. Official aid flows are also stagnating.

Developing countries have traditionally viewed foreign direct investments with mixed feelings but the world debt crisis made many realize some of the advantages that equity investments have over commercial bank loans. Loans must be regularly serviced by the recipient country regardless of whether the money was well invested or not or whether mistakes were made or not. Foreign direct investments on the other hand must first produce a net benefit before any payment abroad must be comtemplated. However, many countries still continue to see foreign investment as a threat to sovereignty and this probably explains why some countries such as India and some Latin American countries have not shown any indication of wanting to join this new organization. Conscious of these problems, those who are organizing the new agency have written into its statutes that it will not conclude any contract or guarantee before the host Government or the recipient country approves the issuance of the garantee.

Mr. Speaker, the Foreign Affairs Committee in the other place released a report on May 13, 1987 on the debt problem of developing countries. The committee did not see MIGA as being a major player in solving the Third World debt problem but it thought that it could be a positive factor in encouraging needed private investment capital into Third World enterprises. The Senate committee here did not have a specific recommendation on MIGA.

Mr. Speaker, I was pleased to have this opportunity to comment briefly on Bill C-68. I hope that in the coming days the House will adopt this measure which I think is serious, a legislative measure which we feel is altogether acceptable and which will be of great help to all these developing countries. Canada will contribute to development loans which will be generously guaranteed so that these countries may get their fair share of international trade, develop their local economies, and create the jobs they so badly need.

• (1650)

[*English*]

Mr. Deputy Speaker: Is the House ready for the question?

Some Hon. Members: Question.

Mr. Deputy Speaker: Is it the pleasure of the House to adopt the motion?

Some Hon. Members: Agreed.

Motion agreed to, Bill read the second time and referred to a legislative committee.

Mr. Deputy Speaker: It being five o'clock, the House will now proceed to the consideration of Private Members' Business as listed on today's Order Paper.