

activities such as planning research and development is done by the parent firm or in the firm's home country, and I believe that this is something that has to be addressed. As a result the capacities of the host country in these areas are reduced and, indeed, stunted. There is also the danger that high levels of foreign ownership and control with the attendant decision making centres abroad can impede a country's ability to pursue policies suited to its domestic needs or in accord with its own national priorities.

The recognition that foreign investment is generally beneficial but that it also carries costs and risks which on occasion may outweigh the benefits, has provided the inducement for the adoption of a screening mechanism giving the government the power to examine investment proposals on a case-by-case basis to ensure that they are compatible with Canada's interests. Senator Sinclair made reference this afternoon to statements made by the Prime Minister and, indeed, by other members of his cabinet that Canada is now open for business. Senator Sinclair justifiably and properly said that Canada was never closed for business.

**Senator Doody:** Only parts of it.

**Senator Graham:** FIRA, despite widespread impressions to the contrary, was never meant to block or discourage foreign investment in Canada but, rather, to ensure that whatever investment took place was in Canada's interests. On the basis of its performance, when you carefully examine the facts, it is difficult to make the case that FIRA was a significant deterrent or major stumbling block to foreign investors. Of the 7,053 investment applications resolved from the time of the act's proclamation on April 9, 1974 to March 31, 1985, some 5,981 were allowed, 435 were disallowed and 637 were withdrawn by the applicant before a decision had been rendered. Thus in more than four out of five cases foreign investment proposals have been approved and only one in twenty has been rejected.

I acknowledge that these statistics in themselves do not prove that FIRA has not been an irritant to foreign investors. But they do suggest that it has not been the significant negative factor that it has so often been made out to be. Besides, the act applies only to a relatively small proportion of all foreign and direct investment in Canada, because more than 80 per cent consists of non-reviewable investments for modernization or expansion of foreign firms already established in Canada. Of course, many more factors in the screening mechanism alone bear upon one's decision of where to invest one's capital. So taking the proposals together those who fear that paring down the screening mechanism along the lines proposed in Bill C-15 would lead to a sell-out of Canada are perhaps being unduly alarmed, and those who anticipate a huge inflow of new investment to result from the Bill C-15 proposals, I believe, are being excessively optimistic. I hope that I will be proven wrong—

**Senator Doody:** Me too.

**Senator Phillips:** It won't be the first time.

**Senator Graham:** —in Newfoundland, Nova Scotia and all the other disadvantaged areas of the country.

As already noted, Bill C-15 will institute a number of positive changes in the existing investment screening mechanism, but it contains a number of shortcomings as well. In light of the generally negative perception that foreign investors have of FIRA, a conscious attempt has obviously been made with Bill C-15 to convey the message that Canada welcomes foreign investment. Thus in addition to the screening process and the screening purpose which alone animates the Foreign Investment Review Act, Bill C-15 also stresses in clause 2 the aim, "to encourage investment in Canada by Canadians and non-Canadians that contributes to economic growth and employment opportunities." Paragraph 5(1)(a) says that to this end it enjoins the minister to, "encourage business investment by such means and in such manner as the Minister deems appropriate."

The intent expressed here is really not unusual. By all accounts Canada, a resource rich and economically young country, will continue to rely on foreign capital for much of its investment needs in the years ahead. Beyond the general statement already quoted, however, the bill is very silent on how the government proposes to do this. Perhaps the sponsor of the bill could describe to us the role of Investment Canada in this regard. What form of federal-provincial collaboration is envisaged? What, if any, special consideration will be given to Canada's economically depressed regions? Without any details the new mandate embodied in the bill has left little more than a tantalizing promise, and we have had evidence in the past couple of weeks of how valid and how solid promises made by this government might be at the present time.

Honourable senators, a distinct lack of precision also characterizes some of the bill's provisions setting out the classes of investment that would be subject to review. I believe that this is unfortunate since the general thrust of the bill toward a less comprehensive definition of reviewable investments has on the whole been welcomed and has been greeted with favour. One can quibble about the actual level of the take-over thresholds chosen. Some think them too high; others think them not high enough, but there is little argument with the principle that some of the smallest and least significant investments should be exempted from review. The alternative damages Canada's image as a hospitable place in which to invest; it clutters up the review process needlessly and absorbs scarce resources for which better uses can be found elsewhere. The exemption from review of most new businesses is also justifiable, generally speaking. The establishment of a new business is most likely to enhance investment, employment and consumer choice.

● (1620)

As a precaution against small but significant investment escaping review, the bill provides the government with the reserve power to review any investment, regardless of size, if it falls within a business activity that, and I quote from clause 15 of the bill:

—is related to Canada's cultural heritage or national identity;