While our approach to foreign investment in general and American investment in particular is and will remain a positive one, Canada is now in a position where Canadians can afford to be more selective about the terms on which foreign capital enters Canada.

It is in the light of this determination that the Government's new policy on foreign takeovers of existing Canadian business enterprises should be understood. Canada is a growing country that needs a capital inflow if its full potential is to be developed. The need is dispersed throughout the country and is felt more strongly in the Atlantic Provinces and the Eastern half of the Province of Quebec. As a result, there is no national consensus on the terms on which foreign capital should enter Canada. Therefore the new legislation, when it is passed, will not hinder the free flow of capital into capital-hungry areas and capital-hungry industries. It may impede the take-over of existing, viable Canadian enterprises.

About 17 per cent of the net annual capital inflow to Canada is used to purchase going concerns rather than to develop new industries or new units in existing industries. This kind of capital inflow may or may not be in the Canadian interest. The intention of the new legislation is to see to it that it is.

For instance, if the net effect of an American takeover is to export research and development from Canada to the United States, replace Canadian management with American management and take the enterprise out of the export market, Canada is the loser, and such a takeover would almost certainly be prevented by the new legislation. It is important to note, however, that the procedure under the new act is to be one of review and assessment, and I hope that, in the vast majority of cases, a process of negotiation would result in approval of the takeover on terms which respond to Canadian interests and priorities.

No reasonable person could suggest that the proposed legislation is xenophobic or even unduly restrictive. But we are determined that foreign interests will no longer be free to buy up Canadian enterprises with a view to closing them down and substituting imports for their production or reducing their role as exporters in world markets, closing down research facilities or otherwise reducing them to branch-plant status.

In discussing foreign ownership, I have tried to point out how the problem is rooted in the economic relationship between the two countries. I have suggested that Canadians can now afford to be more selective about the terms on which they admit foreign capital into the country for the purpose of taking over Canadian enterprises. When the time and the circumstances were right, Governments in the past have acted with similar discrimination -- to protect sensitive sectors like broadcasting, banking and newspapers, for example. I look upon all such measures, including the present one, as part of a continuum. So deep-rooted a problem is not going to go away. It is not going to be solved through the miraculous application of some one-shot cure-all. What makes sense as a refinement or development of policy will change with time. A cool appraisal of the national interest will always serve us well on this sort of issue; strident nationalism, never.