quite different entities on the world scene that they inevitably differ.

Let me remind you very briefly of some of the realities of the Canada-United States relation.

Canada and the United States share the North American continent north of the Rio Grande. Our economics are interdependent to the point where they might better be described as interlocked. Total trade between us exceeds $20 billion annually; each is the other's best customer. If we were economies of the same order of magnitude, the problem would be different and certainly less acute. But we are not: there is a factor of ten or more to one in favour of the United States in terms of our populations and our gross national products. In *per capita* terms, Canadian investment in the United States exceeds American investment in Canada. The difference is that United States investment in Canada results in some 50 percent American control of our manufacturing industries -- in some sectors, including automobiles and petrochemicals, the percentage is much higher. On the other hand, the degree of Canadian ownership of the American economy is negligible. If our policies are to serve Canadian interests, they must take full account of this disparity of power.

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 Canada'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 most strongly in the Atlantic Provinces and the Eastern half of the Province of Quebec. 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 takeover 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. It may cause hardship, and it is unlikely