

For some time it was felt in this country that Canada was one of the culprits contributing to the serious American international trade deficit. This view was supported by your statistics which, as sometimes happens in our computer age, were contradicted by our statistics. The discrepancy for 1972 was in the neighbourhood of 1.5 billion dollars. Happily our statisticians are now getting together and managing to reconcile the differences. For example, on the 1970 trade figures what the U.S. side thought was a 2 billion dollar deficit for them and what Canada thought was a 1 billion dollar surplus for us has turned out to be, in fact, a surplus of 1.4 billion dollars for Canada. Similarly, on current account -- which is a more reliable indicator as it takes into account the flow of invisibles such as investment income, dividends and interest payments -- a reconciliation has taken place for 1970. In this case what the United States thought was a 600 million dollar deficit for them and what Canada thought was a 200 million dollar deficit for us has turned out to be a 100 million dollar surplus for Canada. For 1972, our figures, including invisibles, show a current account deficit with the United States of 416 million dollars. We expect that when the Canadian and U.S. figures are finally reconciled, Canada will remain in a deficit position.

Washington has been, understandably, sensitive about the efforts or lack of efforts by the world community to stand behind American efforts to stabilize the international monetary situation. The devaluation of the dollar has, of course, been a key initiative in efforts to achieve a reasonable international monetary equilibrium. There was at one time a feeling in some quarters in the United States that the floating Canadian dollar has exempted us from the intended impact of the American measures. It has also been suggested that our float is managed to our advantage. However, I am pleased to say that the question marks in Washington about the "cleanness" of our float have been overcome. The Canadian dollar has floated downward with market forces and has largely maintained its previous relationship with the American dollar.

Legislative proposals concerning foreign takeovers and new foreign investment were introduced recently in our Parliament in Ottawa. These proposals fit the general framework of our option three and their purpose is to ensure greater control by Canadians over the Canadian economy. This is the sort of thing which sends shivers of alarm through the free enterprise system. There has been some reaction of this nature from the United States based essentially on a misunderstanding of our intentions.

It is quite true that the purpose of this legislation is to resist the erosion of Canadian ownership but this does not mean the exclusion or curtailment of American or other foreign capital. It is a sign of the greater maturity of our economy that we will not in the future require the same kind of inflow of foreign capital that we have had in the past if our full potential is to be developed. What we are doing is being more selective about the terms on which foreign capital enters Canada to prevent, in some cases, the takeover of existing viable Canadian enterprises.

To illustrate this problem I should point out that about 17% of the net annual capital inflow is used to purchase going concerns rather than to develop new industries or new units in existing industries. It is in areas such as this that our new screening process will focus. If the result of an individual American takeover would be the withdrawal of research and development from Canada to the United States, the replacement of Canadian management by American management and the removal of that enterprise from the international export market -- and there