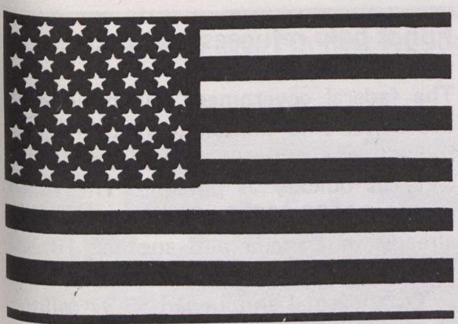

You will notice that I used the word "screen", not "block". As of August 1981, the Canadian government had an approval rate for applications by American investors of 90.5 per cent, hardly grounds for suggesting that they have been subjected to harsh treatment.

In view of the litany of complaints about the Foreign Investment Review Agency (FIRA), I would like to point out a few facts. Even now, after seven years of the FIRA regime, foreign ownership figures in Canada are at a level which I am sure you will agree would simply not be tolerated in the U.S. For example, according to latest available figures (1978), foreign investment in the United States accounted for 5 per cent of the mining industry and 3 per cent of the manufacturing sector. The comparable Canadian levels are 37 per cent and 47 per cent. The contrast is stark.

Furthermore, in 1978, non-residents controlled about 30 per cent of all non-financial industries in Canada; the comparable U.S. figure was about 2 per cent. Finally, while only two of the 50 largest firms in the United States are foreign-controlled, 19 of the 50 largest firms in Canada are foreign-controlled.

...No country could allow these levels of foreign involvement to continue indefinitely. No country ever has. I do not have to remind this audience of the more recent reaction in this country to a degree of foreign penetration much, much lower than that occurring in Canada.

The essential point is that, having determined that the amount of foreign ownership and control was a concern, Canada chose to deal with the problem totally in accordance with our international undertakings. There has been no question of nationalization, confiscation or forced sale. Foreign investors have simply been told the conditions under which they would be welcome.

And I should emphasize the notion of welcome. Canada needs and wants foreign investment which will benefit all parties concerned. Foreign companies and individuals will continue to do business profitably in Canada. I do not believe that those who are complaining about our policies are in fact arguing that they have lost money on their investments. Certainly not. And by comparison with other countries, there are very few more secure places to invest money than Canada.

Energy issues

Let me now turn to the vexed question of energy. In the energy field, the cause of much recent anxiety has been Canada's National Energy Program (NEP). Within the context of the obviously special significance the energy sector has for Canadian economic development, that program is founded on three basic principles — security of supply and ultimate independence from the world oil market; opportunity for all Canadians to participate in the energy industry, particularly oil and gas, and to share in the benefits of its expansion; and fairness, with a pricing and revenue-sharing regime which recognizes the needs and rights of all Canadians, with respect to the development of all of Canada's regions.

From where I sit, one aspect of the NEP which has been much misunderstood is "Canadianization". The Canadianization objective is really very simple: it is to increase the share of the oil and gas industry owned and controlled by Canadians — to 50 per cent of the industry a decade from now. In the strategy adopted to achieve this utterly legitimate objective, the emphasis is on making room for Canadian oil and gas companies in the industry in Canada, not on forcing out foreign companies. There is no question that we intend to give Canadian companies the opportunity to grow more quickly. What we have not intended or done is to make the operations of large international oil firms unprofitable. For example, the net cost to U.S. firms exploring in Canada will remain lower than in the United States.

But we are dealing with an extraordinary situation. Throughout the 1950s and 1960s, non-residents owned nearly 80 per cent and controlled over 90 per cent of Canadian oil and gas assets. They also controlled nearly 100 per cent of the assets employed in refining and marketing operations. Canada did not have a single Canadian multinational oil company, not even a small one. We did not have a vertically integrated domestic company, until Petro-Canada acquired Pacific Petroleum in 1978.

Before the NEP, an unintended by-product of government policies was increased foreign ownership. New windfall profits due to increases in oil and gas prices favoured the firms already in the business with the largest production. Most of these were foreign-owned. These same foreign-owned firms were also the main beneficiaries of the earned depletion allowance, since this deduction from taxable resource income was available only to firms whose principal business was resources and who had existing resource income. The pre-NEP policy framework virtually guaranteed that the big (and the foreign-owned) would get bigger.

No other developed country faced this predicament. Indeed, as I look around, it is a predicament tolerated by no country, period. By 1980, the 74 per cent foreign-owned and 81.5 per cent foreign-controlled Canadian oil and gas industry generated almost a third of all the non-financial sector profits in Canada. Without changes, enormous power and influence in Canada was destined to fall into a few foreign hands. We simply decided that we had to act and had to act now.

But, unlike some other countries, Canada has preferred the carrot to the stick. The operations of foreign firms in Canada are still very profitable and, to the extent that they increase Canadian ownership, they can now be even more so.

I want to dispel any impression that the NEP has suddenly made the role of foreign firms in the Canadian hydrocarbon industry uncertain and unpredictable. Certainly the rules of the game have changed from 10, 20, or 30 years ago. Perceptions change; needs change; situations change. Where do they not change? But the changed rules are clear. They can be ignored to the detriment of future balance sheets. Or they can be used advantageously by foreign-owned corporate citizens of Canada who are sensitive to the Canadian environment and to the opportunities there for profitable investment.

Incentives for owners

I should add that the NEP gives foreign companies an incentive to acquire Canadian shareholders and partners. To the extent that they do, they can benefit from higher exploration grants just like firms which are already more than 50 per cent Canadian-owned. Let's not forget the many foreign-controlled companies who are quietly rearranging their affairs in Canada to take advantage of the NEP,

(Continued on P. 8)