

to say that problems don't exist – that it is all in our minds. I think there is an element that is in our minds. But the problems undoubtedly exist too. Whatever else did we expect? You are fully conscious, I know, of the basic elements of the relationship. Total trade between Canada and the United States exceeds \$20 billion annually. Each country is the other's best customer. Yet the United States is ten times larger than Canada in population and more than that in gross national product. *Per capita*, Canadian investment in the United States exceeds United States investment in Canada. But United States investment in Canada results in very high percentages of United States control in key sectors of the Canadian economy. Canada is obliged to struggle with all the problems created by foreign ownership of its economy on such a massive scale. For the United States, there is of course, no comparable phenomenon today – although historically, as President Nixon recognized when he spoke to Parliament – the United States has experience of the problem.

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.

#### FOREIGN TAKEOVERS POLICY

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 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. 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.

The current trade differences between the United States and Canada should be viewed in the same spirit, I suggest.

#### AUTO PACT SIGNIFICANCE

What is involved is not a confrontation between two opposing philosophies of trade. What is involved is not primarily a disagreement as to objectives. There is even a wide measure of agreement as to the facts. The points at issue are matters that concern in the main the working of an agreement relating to automotive trade which goes to the root of the unique economic relation between our two countries.

This is why the differences are difficult to resolve. We are dealing with the operation of multinational companies owned in the United States and producing in both the United States and Canada and supplying the North American market. How are these operations to be carried on in the most efficient manner with the fewest constraints to trade to the advantage of both countries? How is production – and thus employment opportunity – to be divided so that each of us will have his fair share?

These are the questions we have been trying to answer for many months, long before August 15 when the new economic policy of the United States was announced.

It is an important question but it does not involve a fundamental difference of principle in trade policy between Canada and the United States. It would indeed be ludicrous if there should be a serious rift