Investment

A hospitable investment climate will be indispensable if Canadians are to achieve the full benefits of reducing barriers to trade in goods and services. Indeed, long before the trade agreement was concluded, the government took important steps to improve the investment climate and attract new capital by creating Investment Canada and by removing the National Energy Policy. The FTA provided a supporting international agreement by developing a framework of principles sensitive to the national interests of both countries with the objective that investment flow freely between Canada and the United States and investors be treated in a fair and equitable manner.

The investment provisions are forward looking. Existing discriminatory investment measures on both sides of the border may be left unchanged. In other words, current investment restrictions in energy, telecommunications and transport for example, remain intact. But, under any new legislation and practices, Canadian investors in the U.S. and American investors in Canada will be treated no differently than domestic investors are treated within each country.

Canada maintained its right to review significant acquisitions by U.S. investors. Accordingly, the agreement will provide that the review threshold for direct acquisitions will be raised in four steps to $150 million by 1992. At that time, about 75% of corporate assets which are now reviewable will still be reviewable. Two-thirds of total corporate assets will still be reviewable. For indirect acquisitions, which involve the transfer of control of one foreign-controlled firm to another, the review thresholds will be phased out over the same period. This will have little or no impact on the level of foreign ownership in Canada.

Both countries have also agreed to prohibit investment-related performance requirements (such as local content and import substitution requirements) which significantly distort bilateral trade flows. However, the negotiation of product mandate, research and development, and technology transfer requirements with investors are not precluded by the FTA.

Energy

Over the past decade, bilateral trade in energy has been important to Canadians. In 1986, Canada exported close to $10 billion in energy products including oil, gas, electricity and uranium. Billions more are exported in the form of downstream products such as the various oil and gas derivatives and petrochemicals produced in Sarnia.