treatment of U.S. consumers of all forms of Canadian energy will be an important factor in providing a stable environment for long-term planning of supply relationships.

It also will provide U.S. buyers with assurance that export deliveries will not be halted as a result of Canadian government action and that, in the event of a shortage or other emergency, any reduction in deliveries would be shared on a proportional basis.

Much of Canada's energy future depends on the development of large oil and gas projects. The Free Trade Agreement will provide the assurances of access to the large market necessary to support such projects.

Canada has retained its ability to seek 50% ownership of the upstream oil and gas industry. Our acquisitions policy has been grandfathered and the government will continue to review, where necessary, to reject proposed acquisitions. For example, acquisition by U.S. companies of healthy Canadian controlled companies will not be allowed. The National Energy Board can continue to monitor and license exports of energy.

The Energy component of the agreement is the confirmation and extension of the market based approach to energy trade enunciated by the Prime Minister and President Reagan in March 1985. Some elements of the old National Energy Policy would be inconsistent with the terms of the FTA.

Investment

A hospitable investment climate in Canada is essential if the full benefits of trade liberalization are to be obtained In particular, new investment will be critical to economic growth, innovation, trade and job creation.

Domestic firms in Canada as well as foreign owned subsidiaries will be making major investments as they increase their scale and specialization and take advantage of the American marketplace. Some of the required capital will be generated domestically, but foreign investment must also be relied upon.

The trade agreement provides investors in both Canada and the U.S. with increased confidence that their access to new investment opportunities is assured, that their investments are secure and that they will be treated fairly and equitably by governments.

Canada's right to review significant acquisitions by U.S. investors is left unchanged by the trade agreement. The agreement will provide that the review threshold for direct acquisitions will be raised in four steps to $150