concerns about the implications of this for economic progress and independence and in turn to a number of moderate policies that respond to these concerns.

The Canadian approach to foreign investment has three main approaches. The first approach is to minimize legislative, regulatory or administrative impediments to the operations of foreign-owned or controlled companies in Canada. We have consistently "extended" national treatment to foreign-owned firms. Once such firms are established in Canada, they are generally subject to the same tax provisions, regulations and eligibility conditions for government grants and loans as Canadian-owned enterprises.

The second approach is that the few significant exceptions to this rule where some restrictions on foreign ownership apply relate to three key areas of the economy: financial institutions, communications and culture, and the oil and gas industry. The relevant measures in these sectors have generally been spelled out in legislation and regulations rather than being left in an *ad hoc* uncertain way. The short list of key sectors in Canada compares quite favourably with the US and a number of other OECD countries.

...With respect to financial institutions, it should be noted that in chartered banking we have moved in the direction of greater reliance on foreign investment and enterprise. Prior to the recent revision of the Bank Act, foreign banks were not permitted to engage in banking activities in Canada, although they could and did play an active role in the provision of commercial loans and other financial services. The new banking legislation enacted by Parliament in 1980 has significantly opened up this sector to international investment. Foreign banks are now allowed to establish subsidiaries in Canada as single-branch wholesale banks. Ministerial approval is required for additional deposit-taking branches, but representative offices may be opened at will. (At least half the directors of a foreign bank subsidiary must be Canadian citizens, and the foreign-owned banking sector is limited in the aggregate to 8 per cent of all banks' total domestic assets. Foreign controlled banks have broadly the same business powers as domestically-controlled ones.) Since passage of this legislation, 57 new foreign-owned banks with total assets of some $18 billion have received their charters.

The restrictions in the communications sector are based on the development of a distinctive independent Canadian cultural output. Since 1971 the Canadian Radio-Television and Telecommunications Commission (CRTC) has issued broadcasting licences only to companies 80 per cent owned by Canadians. The CRTC also requires broadcasters to devote specified proportions of their program schedule to Canadian programming. Canadian advertisers may only deduct their domestic advertising expenses for tax purposes when using Canadian media to reach Canadian markets. Programs have been introduced to encourage the Canadian film and publishing industries, to make sure that Canadians, along with the wide choice of foreign cultural products available to them, also have access to those of Canadian intellectuals and artists.

I mentioned earlier that special circumstances dictate different sectoral or legislative limitations in various countries. Canada's special circumstance in the communications field arises from our geographical location and linguistic pattern with our population of 24.7 million scattered along more than 3 000 miles of the border with a southern neighbour that uses English — one of our two official languages. We have awesome problems in maintaining a distinct culture; in developing our own literature; or supporting our own artists. Obviously, this sort of problem does not exist for Australia to the same extent because of the factor of distance.

Oil and gas sector

The third and most controversial key sector is the oil and gas industry. The principal objective of the National Energy Program is to ensure energy security for Canadians. Achievement of this objective requires that more of our oil and gas industry be controlled by Canadian interests, and that there be appropriate participation by the national government, on behalf of the Canadian people in the future development of that industry. Between 1975 and 1979, the Canadian oil and gas industry generated net outflows of capital totalling $3.8 billion — $2.1 billion in direct capital and $1.6 billion in dividend and interest payments. The outflow took place at a time when enormous amounts of capital were required to ensure the rapid development of Canada's oil and gas potential, a national imperative if self-sufficiency is to be achieved. These factors necessitated some form of encouragement for investment in new oil and gas development that would be attractive to Canadian investors and led to the establishment of the Petroleum Incentives Program and the Canada Oil and Gas Lands Administration. Our ownership goal is modest: to have Canadians own 50 per cent of the Canadian industry by 1990.

Canada is by no means the first country to treat energy supplies as a matter of strategic national importance and seek security over oil and gas supplies through ensuring significant domestic ownership and some government involvement in the industry. The entire oil and gas industry is under government control in most producing countries including Venezuela and Mexico. The USA is the exception, rather than the rule, being the home base for the world's largest oil companies which no doubt accounts for the fact that foreign control in the United States oil and gas sector is low. Regarding public enterprise, Petro Canada is still a youngster — though a strong and fast growing one — in the large family of oil companies wholly or partly owned by governments: British Petroleum in Britain, Statoil in Norway, Agip in Italy, La Compagnie Française des Petroles in France, Veba in West Germany, the National Oil Company in Japan, and Petrobras in Brazil.

The foreign oil industry will continue to prosper in Canada. A comparison with policies and practices in Norway, Great Britain and the USA, among others, shows that Canadian legislation is less stringent and provides as high or higher rate of return on new oil for foreign investors than do these other countries. Assets are not being nationalized. Rather, acquisitions, through private purchases at market prices, have been on terms highly favourable to the sellers of those assets. Moreover, Canada is providing large incentives to foreign companies operating in Canada for oil and gas exploration and development. The regime in the NEP will be more favourable to foreign investors than in virtually any other country. But the incentives are being made even more favourable to Canadians so that they may increase their participation in a growing Canadian petroleum industry.

The key elements of the NEP have now been enacted by Parliament. There is a flexible and comprehensive framework in place for the development of the petroleum industry in Canada in which Canadians, as well as foreign firms, will more actively participate. Oil prices, interest rates and general economic condi-

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