

am pleased to say that the question-marks in Washington about the "cleanness" of our "float" have been overcome. The Canadian dollar has floated downward with market forces and has largely maintained its previous relationship with the American dollar.

Legislative proposals concerning foreign takeovers and new foreign investment were introduced recently in our Parliament in Ottawa. These proposals fit the general framework of our Option 3, and their purpose is to ensure greater control by Canadians over the Canadian economy. This is the sort of thing which sends shivers of alarm through the free-enterprise system. There has been some reaction of this nature from the United States, based essentially on a misunderstanding of our intentions.

It is quite true that the purpose of this legislation is to resist the erosion of Canadian ownership, but this does not mean the exclusion or curtailment of American or other foreign capital. It is a sign of the greater maturity of our economy that we will not in the future require the same kind of inflow of foreign capital that we have had in the past if our full potential is to be developed. What we are doing is being more selective about the terms on which foreign capital enters Canada, to prevent, in some cases, the takeover of existing viable Canadian enterprises.

To illustrate this problem, I should point out that about 17 per cent of the net annual capital inflow is used to purchase going concerns rather than to develop new industries or new units in existing industries. It is in areas such as this that our new screening process will focus. If the result of an individual American takeover would be the withdrawal of research and development from Canada to the United States, the replacement of Canadian management by American management and the removal of that enterprise from the international export market -- and there have been takeovers in the past with precisely this effect --, such a takeover would almost certainly be prevented by the new legislation. I am sure you would agree that this legislation cannot be described as anti-American or, for that matter, anti-foreign.

Most developed countries, including the United States, face problems of regional economic disparities. One remedy includes government incentives and subsidies. The purpose of regional assistance is to preserve and create more jobs in areas of chronically high unemployment. The effectiveness of these remedies often depends on whether adequate markets can be found to sustain the enterprise that government assistance has salvaged or brought into being. The problem of reconciling the need for fair international market competition with the Government's obligations to help depressed regions is beginning to emerge as a vexing problem, another irritant in our bilateral relations.

A case in point is the Michelin tire-plant, which was set up with Government assistance in Nova Scotia, in an economically-depressed region of Canada. The plant's tire production requires an export market in addition to the Canadian market. Because Washington ruled that the Government's assistance to Michelin interfered with traditional market forces, a countervail was raised against Michelin exports. However, in our view a dislocation of