

noted that even under the existing regulations, \$4 billion foreign investment had come in last year. While foreign investment would become easier in Canada, this delegate was concerned that the FIRA review process, which had been used previously to "bargain up" such benefits for Canada as increased employment levels or world product mandates, would no longer be available.

Other Canadian delegates noted that only 20 per cent of the 1983 foreign investment cases would be reviewable under the new legislation, the review process would be quicker and only takeovers, not direct investment, would be dealt with. Ministerial discretion could funnel applications through whereas previously there had been a Cabinet review process. The cultural field was an exception and close watch would be kept in this sector. It was noted that the Canadian economy was severely undercapitalized; with 92 per cent of projected Canadian savings being borrowed because of the deficit. The new budget would encourage increased Canadian investment but the government had done away with mechanisms including the PIP grants which constituted "a loaded deck in favour of Canadians" in the energy field.

A Canadian delegate asked the U.S. side if a change was likely in the U.S. prohibition on crude oil exports, citing a need for rationalization of supplies and the difficulties created for Sarnia producers. It appeared that the U.S. Administration seemed to wish such a change. U.S. delegates had differing reactions. A New England Congressman said he reflected the majority in Congress which did not consider the prohibition should be changed. However, a U.S. Senator from Alaska said he was in favour of permitting such oil exports although he was not optimistic that a change could be achieved. There had been three unsuccessful attempts in the Senate to amend the Export Administration Act in this respect. Some parts of the industry agreed with the prohibition because of the level of reserves which were thought to be too low.

The Senator then commented on the dismal energy picture in Alaska. There had been no new recent oil strikes, production rates were down, there was, as yet, no successful producing well off-shore and the drilling activities there had led to problems with fishermen. In his opinion, U.S. oil reserves were too low. Alaska was retrenching its gas as there were no transmission facilities. The Senator then suggested a North American or continental energy policy, a proposal he said he had been ridiculed for raising in the same forum over a decade earlier. Canada and the United States would be involved and Mexico would be excluded at least initially, he said. The objective would be to put in place continental-wide planning to rationalize energy supplies and reduce transmission costs. He suggested that an allocation board from the private sector, similar to the \$1 a year members of the wartime allocation boards, could be established to begin this planning. He admitted new U.S. legislation would be required to clear the way for such a planning group. The initiative would have to come from Canada. The present U.S. energy transportation system was ridiculous, this participant continued. As an example, Alaska

oil should be able to come into Puget Sound and use the Trans-Mountain pipeline to get to the mid-west markets. A rationalization of the supply system would also benefit Canada which at present had to compete with Louisiana but with higher transportation costs.

The initial reaction of the Canadian side to the continental energy proposal was a concern that while industry might do the planning there were too many competing power fiefdoms in this sector and governments inevitably would have to be involved. Another Canadian delegate questioned whether Canada would be wise to take such an initiative for a continental energy policy at a time when the U.S. Congress was becoming so protectionist. If Canada freed its resources, what would the Congressional response be to the granting of easy market access for Canada goods in other fields? The Senator replied that now, at a time of surplus energy, was the best time to plan a whole free trade package including energy which would be such a dominant item.

Electricity trade

Generally the U.S. side reacted positively to the idea of increased Canadian electricity exports. Emphasis was placed on the mutual benefits to be derived.

A U.S. delegate from the U.S. Northwest opened the discussion by commenting that in the Northwest, the positive outcome of the Skagit Ross Dam controversy should have led to negotiations for further electricity sales in the United States. However the Bonneville Power Administration, with one nuclear power plant completed and two incompleted, controlled transmission facilities and was presenting a stumbling block to increased Canadian sales.

A New England delegate spoke of the benefits from Hydro Quebec's electricity sales, citing the dangerous overdependence of his area on imported oil. The New England Power Pool (NEPOOL) was very pleased about these sales. The delegate himself had spoken to the Governor of Massachusetts on the subject and his reaction too was very positive, saying that "Massachusetts would like to do even more business" in electricity purchases. A few problems were mentioned, however, namely the concern of U.S. organized labour that the doubling or trebling of Canadian electrical imports would mean a loss of jobs in the older oil-fired labour-intensive plants. There was also opposition from some coal producers. However the New England economy was growing, this delegate said, and as long as Canadian sources can maintain 'market sensitive' prices for electricity exports "we can work together".

Asked by a Canadian delegate whether there could be United States assistance in the capital funding of very costly Canadian hydro-electrical projects, the U.S. participants expressed doubt as to whether this would be possible. It would be politically very difficult because of the vast amount of capital tied up in unfinished nuclear plants in the United States. There were already many bills in Congress dealing with this controversial issue which had become more acute recently. While the U.S. side recognized the problems for Canada in