

fore being adopted by the national party and put before the public. Nationalist policies might well have been modified, or even rejected in favor of free trade, as they had been, for example, at the national party conference in 1966. But in 1979, the Conservative government blundered into an election when the Liberals were only at the beginning of their policy-making process. Trudeau needed policies at once on which to fight the 1980 election, and he took the only ones available — the mildly nationalist proposals then on the table. These included plans to strengthen FIRA so that it could begin to investigate the performance of foreign corporations already established in Canada, and to empower it to assist Canadians seeking to compete with foreigners who applied to invest in Canada. Equally important, the Liberals promised a National Energy Policy that would not only keep down the price of oil and gas, but also reduce the level of foreign ownership in the industry to not more than 50 percent by 1990. There were suggestions also that NEP would be the first stage of a more general industrial strategy for Canada. Both the FIRA and NEP schemes, in essence, were proposals to discriminate against foreign ownership in Canada with the intention of increasing Canadian ownership and control.

New energy policy

It is questionable whether the Liberal platform had a significant influence on the outcome of the election. The opinion polls suggested that the Conservatives were behind the Liberals from the start of the 1980 campaign and long before the Liberals announced their program. The public appears to have voted *against* the Conservatives rather than *for* the Liberals. However, the new Liberal government was entitled to claim a mandate for its policies, and it moved swiftly in October 1980 to implement the NEP. There was no attempt to consult or even to advise the US government although there were large US business interests at stake. Indeed it seems that the Energy department in drafting the program did not bother even to inform the External Affairs department, which might at least have been able to warn of the likely US reaction. There was much support in Canada for NEP, not only from traditional nationalists and from the public opinion conditioned to dislike foreign investment, particularly oil companies, but also from a new breed of nationalists. These were businessmen, mainly in the energy industry, who saw an opportunity to enlarge their own Canadian companies at the expense of foreign competitors, with the assistance of the federal government.

There were also of course many critics of NEP and FIRA. Businessmen feared more government intervention in the economy, and disliked in particular the plan to enlarge Petro-Canada by nationalizing foreign-owned oil companies. The governments of the oil producing provinces, led by Alberta, saw NEP as a dangerous encroachment by the federal government on provincial control of resources, and as an attempt to divert into the federal treasury an unfair share of revenues from the oil and gas industry.

In the United States, Ronald Reagan won the presidential election only a few days after the NEP had been announced in Ottawa. The government he formed was both more nationalist and more ideological than had been usual in Washington. It was nationalist in the sense that it

intended to reassert US authority in the world by a show of strength and will, and it was ideological in the sense that it wanted to replace liberal with neo-conservative policies and so reduce the role of government in US society. Translated into foreign economic policy, that meant that the conservative ideologues manning the new administration would push for free trade, free movement of capital, and the maximum freedom abroad for US business. The Reagan people, many of whom lacked experience in government and knew little about the US-Canada relationship, soon discovered that the US's principal trading partner and ally, Canada, was moving in the opposite ideological direction. FIRA and NEP were protectionist, discriminatory and offensive to US investors who made their displeasure known in Washington. The new US government protested to Canada about some aspects of FIRA and NEP and an angry squabble ensued, sometimes breaking out of the channels of Quiet Diplomacy and into public view.

Jumpy capital

The US businessmen complained about Canadian policies not only to the Reagan administration but also to Congress, where the members were already hearing complaints from constituents about Canadian capital flowing into the United States and buying up US corporations. Paradoxically, the NEP intensified this situation because Canadian businessmen who were alarmed by the interventionist policies of the Canadian government decided that the United States might be a safer place for their capital. Thus the NEP not only drove US capital out of Canada, but also frightened some Canadian capital which then sought opportunities in the United States. Some members of Congress reacted rather like nationalists in Canada, objecting in principle to Canadian control of US corporations, and suggesting that a US version of FIRA to screen Canadian and other foreign investment would be a good idea. Others argued that as the Canadian government was interfering with US investment in Canada, the US government should reciprocate by interfering with Canadian investment in the United States. A variety of measures intended to punish Canada were introduced in the Congress, and although few had any real chance of becoming law, they further poisoned the atmosphere of the relationship.

To conciliate the United States, the Canadian government agreed not to proceed with the plan to broaden the scope of FIRA. Indeed, it went beyond that to promise that existing procedures for screening investment would be made less onerous for US and other foreign businessmen. The government also modified some aspects of the NEP, and announced that it had no intention of introducing similar strategies for other sectors of the economy. These were certainly concessions to the United States, but they were not quite the abject surrender to pressure that some commentators have suggested. As we have seen, the nationalist policies had been hastily adopted for the 1980 election and were not overwhelmingly popular with the full Liberal Cabinet. As the economic crisis deepened in 1981 and 1982, and as opposition to the government grew in Canada, there was little stomach for new adventures in economic nationalism, or for new battles with the provinces and the business community at home and the