

mechanisms for investigation, analysis and resolution of bilateral disputes, possibly modelled on the International Joint Commission....

In trade liberalization as in defence, disarmament and international development, we attach great importance to our role in sound multilateral institutions. We believe these institutions offer us the best opportunity to exert a constructive Canadian influence on the international scene....

Basic course altered

Our new government has embarked on a fundamental change in our economic direction. Our strategy consists of four challenges for this government, and for the Canadian people. Our first and most immediate challenge is to restore fiscal responsibility in the federal government. Rising deficits have been recorded in each of the last ten years, and the legacy of these deficits is that our national debt is rising much faster than the economy is growing....

The second part of our strategy for economic renewal is that we intend to redefine the role of government itself. Traditionally, government has had a much more activist role in Canada than in the United States....

Today's reality, however, is that government in Canada has become much too big....

Getting the economy back on course means that we must adopt an approach that rewards entrepreneurship and risk-taking, and facilitates adjustment to the changing realities of new markets and technologies.

More investment

The third part of our strategy is that we must adopt policies that foster higher investment, greater innovation and increased international competitiveness.

Investment contributes directly to the growth of output and employment, and is central to ensuring that Canadian business responds rapidly to new technology and new market opportunities. Greater innovation, enhanced productivity and increased competitiveness are essential if Canada is to compete effectively in the world marketplace.

Finally, the changes we are proposing are fundamental to the economic, social and political structures of our society....

Let me touch now on three areas in our strategy for economic renewal which impact directly on our relations with the US — trade, foreign investment and energy.

Trade is Canada's life blood. Our objective is to strengthen Canada's stature as a first class world trader....

Protectionism is our mutual adversary. The longer-term upshot of protectionist tendencies in the United States, Canada and

elsewhere would be to move against the trend to liberalization of access to national markets. In the short-term, restrictions on trade reduce real growth prospects in both the industrialized and developing countries....

Central to Canada's trade policy is a commitment to an open multilateral trade regime. We will continue to support a multilateral system and trade liberalization....

Trade with US

The US has been and will be the dominant market for our exports. By 1987 some 80 per cent of Canadian exports to the US will be duty free....

We seek trading arrangements which provide fair but also secure access to the US market, unfettered by initiatives aimed at problems caused by other countries but inadvertently hurting Canadian companies....

New investment agency

We want an environment conducive to dynamic growth in trade, investment and development on a global basis. One immediate contribution to the creation of this climate is to change the Foreign Investment Review Agency.

My government has just introduced legislation, the specific purpose of which is to close down the old agency and to put in place a new body called Investment Canada, whose mandate will be to encourage and facilitate investment in Canada (see P. 5).

Only those foreign investment proposals that are of "major" national significance will be reviewed. The new Act will eliminate from review, with very few exceptions, all investment to establish new businesses in Canada.

Investment Canada will be governed by two fundamental operational objectives: first to facilitate investment in Canada; and second, to limit government intervention in the foreign investment area.

Our message is clear: Canada is open for business again....

Energy

I would like to say a few words about the directions we will be taking in the energy sector....

Our immediate objective is to build a dynamic and growing energy sector. We want to reassure investors that Canada's energy sector offers outstanding opportunities to do business. We believe in the discipline of the marketplace.

We are undertaking now the consultations necessary to remove controls on oil prices in Canada. The same philosophy is being applied to our energy exports.

Since November 1, for example, natural gas has begun moving south at market-

oriented prices set by the buyers and sellers, not by the government.

There are already signs that, after several years of decline, our export volumes are re-establishing their historic market share.

The value of natural gas sold to the United States in 1985 may be \$1 billion higher than it would have been under the old government-set pricing system.

The market approach works.

We intend to make changes in the back-in, the crown interest provision which reserves 25 per cent of all interests in the Canada lands for the government....

Finally, in view of the major changes in the energy price outlook, we will be undertaking a comprehensive review of federal energy taxation. Our objective will be to ensure that appropriate investment incentives are provided in the taxation system. Canadianization remains an objective.

But the system must be fair — and it shall be — to all who invest in the growth of our economy.

There shall be one game — building Canada — and one set of rules.

Trade minister visits France and Germany

Canada's International Trade Minister James Kelleher made an official visit to France and West Germany early in December.

The main objectives of the trip were to discuss bilateral trade issues with ministers and senior officials of the French and West German governments, and to promote the efforts of Canadian companies to do business in these important markets.

In Paris, Mr. Kelleher led the Canadian delegation to the Canada-France Economic Commission and met with French Minister of Industrial Redeployment and International Trade Edith Cresson. Addressing the Canada-France Chamber of Commerce, Mr. Kelleher outlined the priorities of the new government and indicated some of the possible ways of strengthening commercial relations between Canada and France.

In Germany, Mr. Kelleher visited Hamburg, where he spoke to the Uebersee Club, a group of West German businessmen and bankers with international interests. He then travelled to Bonn, where he met with the German ministers of defence, of economics and of food, agriculture and forestry. He also addressed a group of leading German industrialists and financiers.

The trip ended in West Berlin, where Mr. Kelleher attended an Interpost Conference of Canadian diplomatic representatives in West Germany.