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INVESTMENT CANADA

BACKGROUND

PACKAGE

FOR THE

U.S.A.

OCTOBER, 1985

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INVESTMENT CANADA

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FOR THE

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INVESTMENT CANADA

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INVESTMENT CANADA  
BACKGROUND PACKAGE

1. Canadian economic overview
2. Canada - U.S.A. trade and economic relations (prepared by the Canadian Consulate General, New York)
3. Questions and answers on various issues for distribution to press and to potential investors (prepared largely by the Canadian Consulate General, New York)
4. Questions and answers on cultural sectors
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7. Quick Facts - Canada
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- 9.(a) The Investment Canada Act - key features
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  - (c) Press release, June 27, 1985 - new Canadian law encourages investment - the spirit of enterprise
  - (d) Comparison of the key features of the FIR Act and the Investment Canada Act
10. Salomon Brothers Inc., August 1, 1985, report on Canada's new energy policy
11. Key Speeches
  - (a) Prime Minister Brian Mulroney to the Economic Club of New York, December 10, 1984
  - (b) Hon. S. Stevens, Minister of Regional Industrial Expansion, before The Standing Committee on Finance, Trade and Economic Affairs, February 5, 1985
  - (c) Hon. Michael H. Wilson, Minister of Finance, to the Canadian Society of New York, June 13, 1985
  - (d) Hon. Pat Carney, Minister of Energy, Mines and Resources, to the National Energy Foundation Board of Directors and New York City Chamber of Commerce, June 19, 1985

October, 1985

## CANADIAN ECONOMIC OVERVIEW

- \* Growth has been slowing in the OECD countries and this process may well continue through much of 1986. Canada's growth is expected to slow from its solid pace of 6.8% last year to just under 4.0% in 1985 and to 3.0% in 1986. But this would still exceed economic growth in the EEC and the United States, which is expected to run at rates of 1.7% and 2.4% respectively, and place second to Japan's 3.3% increase. The outlook through the early 1990's is for real growth to be higher in Canada than the U.S.
- \* This pattern of growth is expected to take place in an environment of ongoing low inflation. Consumer prices are rising at a slow 4% rate in Canada and the United States. This trend should continue over the decade. Low inflation is expected to continue for a number of reasons. World commodity prices remain depressed. Metal prices are low. So are those for non-metals. In general, the major factors, increased supply and slow demand growth, which have brought about this situation are not expected to change significantly through next year and possibly through 1987 as well. In addition, international oil markets are expected to continue to generate little upward pressure on oil prices over the near term. OPEC's position as a market leader has been significantly eroded in terms of reduced market share and low capacity utilization. Oil prices are likely to fall somewhat from their summer levels and remain depressed through much of the next few years. All factors point to continued low inflation in Canada.
- \* The Canadian dollar has been relatively stable in relation to that in the United States, our major trading partner. As the U.S. dollar continues to realign on international currency markets, the Canadian dollar is expected to follow suit, making us more competitive in offshore markets. The realignment of the U.S. currency seems more assured following the surprise meeting of the G5 countries -- United States, Japan, West Germany, Great Britain and France. They agreed that public policy would be harmonized so as to move the U.S. dollar down in value and thus avoid a trade war. Implementation of such concerted action would also support the view that the decline will be orderly.
- \* In Canada, monetary policy is shaped to control inflationary pressures while providing room for a sustainable rate of real growth. Monetary expansion so far has been consistent with the price stability goals of the Bank of Canada.
- \* The May 23rd federal budget introduced measures to reduce the size of the government deficit. Even with the new measures, the government estimated in May that the federal deficit would still run close to \$33 billion in fiscal year 1986-1987.
- \* Investment has just begun to expand following substantial declines during the recession. After adjustment for inflation, real non-residential investment by the business sector in Canada is expected to increase by over 7% next year following a rise of almost 6% this year.
- \* The slowing real growth will likely keep unemployment rates near 10% in Canada. This continued slack in labour markets would keep average wage increases in the 4% to 5% range next year.

## CANADA-USA TRADE AND ECONOMIC RELATIONS

- Canada and the United States have the largest bilateral trade and economic relationship in the world. In 1984 two-way trade exceeded \$113 (U.S.) billion.
- We are each other's largest export markets: Canada accounts for more than 21% of all U.S. exports.
- Canada is an open market and the fastest growing market for U.S. exports in the world. U.S. exports to Canada in 1984 grew by more than 20%, as opposed to the average growth of 8.7% for other U.S. export markets. U.S. exports to Japan grew by 7.6% in 1984 while exports to the EEC grew by 6%.
- The United States exports twice as much to Canada than it does to Japan. United States exports to Canada are equal to total U.S. exports to all of the countries of the European Economic Community.
- The Canadian Province of Ontario alone received more U.S. exports in 1984 than did Japan.
- According to U.S. statistics nearly 2 million American jobs depend directly on U.S. exports to Canada.
- Approximately 85% of U.S. exports to Canada in 1984 were manufactured and semi-finished goods; comparable figures for Japan and the EEC were 25% and 64% respectively.
- Canada did have a merchandise trade surplus with the United States of some \$15 billion in 1984. However, the overall 1984 current account is considerably more balanced with a large American surplus in non-merchandise trade.
- Since 1976 Canada has enjoyed a merchandise trade surplus with the U.S.A., one which has fluctuated from a low of \$600 million to a record high, in 1984, of \$15.4 billion. However, these surpluses have usually been more than offset by Canadian deficits with the U.S.A. on the services part of the current account. As a result, Canada typically has a negative current account balance with the U.S.A. In fact, 1983 and 1984 were the first years since 1945 that this balance was in Canada's favour.

## CANADA/U.S. ECONOMIC INDICATORS

### I. CANADIAN TRADE

	With all Countries		With U.S.A.	
	Exports	Imports	Exports	Imports
	(\$ Billion CDN)		(\$ Billion CDN)	
1980	76.2	69.3	48.2	48.5
1981	83.8	79.5	55.5	54.5
1982	84.5	67.9	57.7	47.9
1983	90.9	75.6	66.3	54.1
1984	112.5	95.8	85.1	68.5

### II. PERCENTAGE CHANGE

	With all Countries		With U.S.A.	
	Exports	Imports	Exports	Imports
1980	+16.0	+10.2	+ 8.2	+ 6.7
1981	+10.0	+14.7	+15.2	+12.2
1982	+ 0.9	-14.6	+ 4.0	-12.2
1983	+ 7.6	+11.4	+15.0	+13.0
1984	+23.8	+26.7	+28.4	+26.6

### III. PERCENTAGE DISTRIBUTION OF EXPORTS AND IMPORTS IN 1984

#### Exports from Canada

TO: United States	75.6
Japan	5.1
European Community	6.3

#### Imports by Canada

FROM: United States	71.5
Japan	5.9
European Community	8.6

### IV. TOP CANADIAN EXPORTS TO THE UNITED STATES

1. Passenger autos and chassis
2. Motor vehicle parts, except engines
3. Trucks, truck tractors and chassis
4. Crude petroleum
5. Newsprint paper
6. Natural gas
7. Lumber softwood
8. Petroleum and coal products
9. Motor vehicle engines and parts
10. Wood pulp and similar pulp

FOREIGN CONTROL OF CANADIAN NON-FINANCIAL INDUSTRIES 1971 to 1982

PERCENTAGES FOR 1971, 1976, 1981 and 1982  
(based on assets)

<u>SECTOR OR INDUSTRY</u>	<u>1971</u>	<u>1976</u>	<u>1981</u>	<u>1982</u>	<u>CHANGE 1971 to 1982</u>
Agriculture	13%	8%	4%	4%	-9%
Mining	62%	44%	30%	27%	-35%
Oil and Gas	90%	79%	49%	45%	-45%
Manufacturing	53%	47%	41%	42%	-11%
including:					
- Primary Metals	41%	15%	13%	14%	-27%
- Metal Fabricating	42%	40%	35%	34%	-8%
- Paper & Allied Industries	46%	40%	29%	26%	-20%
- Transportation Equipment	82%	77%	69%	70%	-12%
- Chemicals & Chemical Products	79%	73%	75%	75%	-4%
- Food	46%	38%	29%	32%	-14%
- Electrical Products	67%	69%	54%	53%	-14%
Construction	18%	13%	11%	11%	-7%
Utilities & Transport	10%	8%	4%	4%	-6%
Wholesale Trade	33%	25%	22%	21%	-12%
Retail Trade	22%	16%	13%	13%	-9%
Community, Business & Personal Services	23%	18%	15%	15%	-8%
Total Non-Financial Industries	37%	30%	26%	25%	-12%

Source: CALURA, Annual Reports from 1972 to 1981

## MAKING MONEY IN CANADA: A GUIDE FOR THE TRI-STATE INVESTOR

1. **First of all, why Canada ? What has Canada got to offer me as a site for investment ?**

Canada is a long-term ally and close economic partner of the United States, with a stable moderate political system and excellent growth potential. The OECD forecast for real GNP growth in 1986 shows Canada second only to Japan; respected private sector analysts suggest a real growth rate of 3.5% this year and an average of almost 4% from 1986 to 1990. Canada-US trade exceeds US\$110 billion annually, more than US trade with Japan or any other state; US exports to Canada in fact exceed its exports to the entire EEC, and are growing. The Canadian Government is fully committed to facilitating rapid economic expansion through enhanced private sector activity involving both domestic and foreign firms.

Canadian industry is a leader in many high-tech areas, including micro-electronics, satellite communications, lasers and bio-technology. A multitude of inventions (from the telephone, insulin and the Space Arm to the paint roller and photo-degradable plastic) have been developed in Canada. The educational system produces a large cadre of highly skilled workers, and fringe benefits are one-third less than in the United States. Extensive modern communications and transportation systems are strongly conducive to efficient business operations, energy supplies are secure and competitively priced, and Canadian capital markets are highly efficient (4 of the 40 largest banks in the world are Canadian). The Canadian corporate tax structure offers important bonuses, including a 2-3 year write-off for manufacturing and processing equipment and R&D tax incentives found by independent analysts to be among the top few in the industrialized world. Contact between US and Canadian businessmen is both frequent and easy, adding to the flexibility of trans-border commercial activity.

2. **What is the Canadian Government's stand on economic policy, and on foreign investment in particular ?**

Over the past year, Canada has witnessed a major re-orientation of economic policy and direction. Key economic policies of the Government include control and reduction of the deficit; the measured deregulation of important industries such as telecommunications and transportation; a decision to privatize certain Government-owned corporations such as Eldorado Nuclear and the De Havilland and Canadair aircraft companies;



elaboration of a new energy policy based on co-operation with the provinces and private industry; and a reduction in both the size of the public sector and the level of government intervention in the economy as a whole.

On the foreign investment front, the Government has established a new agency, Investment Canada, to replace the old Foreign Investment Review Agency (FIRA). The new agency seeks to promote rather than restrict investment in Canada, from whatever source; as the Minister responsible, the Honourable Sinclair Stevens, said in Parliament last December, "We believe that international investment or partnership, where Canadians and non-Canadians work together in Canada...can bring major benefits." This new policy has been applauded by international investors and analysts in many countries; a Salomon Brothers report of last August, for example, highlighted significant improvements in the Canadian investment climate. Capital investment by large Canadian enterprises is also rising sharply, by an estimated 13% this year over last.

3. **These policies represent a sharp change. Will they prove stable ?**

The Progressive Conservative Government of Prime Minister Brian Mulroney took office in September 1984 with the highest number of Parliamentary seats (211 out of 282) in Canadian history. Improved political and economic relations with the United States were prominent planks in the Prime Minister's pre-election platform and have remained prominent since, as witnessed by the warmth of the "Shamrock Summit" with President Reagan in Quebec last March and the Prime Minister's September call for talks on a new trade agreement between our two countries. Recent Canadian polls reveal continued popular support for the Government, for continued close relations with the United States and for ongoing foreign participation in the Canadian economy.

4. **What makes the new Investment Canada different from the old FIRA? Are the rules on the review of foreign investment really any different ?**

The most spectacular change is the elimination from review of almost all proposals to establish new businesses in Canada, a substantial departure from FIRA. In addition, the level of assets that would trigger review in a case of indirect acquisition has been significantly raised, previously vague provisions on 'sensitive sectors' have been limited and clarified, and tight deadlines (45 days for reply to an application, for example) have been laid down for Government action when review is necessary. Under the new Act, the Government retains the authority to ensure that major

acquisitions by non-Canadians will be of net benefit to Canada, but the number of investments actually subject to review is expected to drop by about 90%. In addition, only 25% of the new agency's budget is expected to be spent on regulating investment; the other 75% will be devoted to promotion.

5. **Under what conditions is Investment Canada's review mechanism triggered ?**

Review will be triggered in only a few cases. For the most part, this would involve direct acquisition of a Canadian business with assets of \$5 million Canadian (\$3.7 million US) or more, or indirect acquisition of a Canadian business (for example by acquisition of its foreign parent firm) with assets of C\$50 million (\$37 million US) or more. Investment to establish a new Canadian business, direct acquisition of a Canadian business with assets under C\$5 million and most indirect acquisitions of Canadian businesses with assets under C\$50 million generally require simple notification only, not full review and approval. Exceptions to the latter case involve cultural industries such as publishing or film-making.

6. **Just what are the rules governing Canada's foreign investment policy in the cultural sector ? Are there other sensitive sectors ?**

While the Canadian Government's policy is to open investment to the maximum extent practical, all governments (including that of the United States) consider it necessary to safeguard national ownership and control in particular areas judged important to the national interest. In Canada, this includes certain cultural industries. Accordingly, foreign investment in this sector may be declared subject to review and approval. This review power is limited to culture, however, and investors in other sectors are assured that their investments will not be subject to review after notification.

There are a few additional areas, in particular banking and acquisition of farmland or control over a government enterprise, where special rules may apply to proposed foreign investments, but activities of these specific types fall under other legislation and are not subject to review by Investment Canada. Clarification can be obtained from your Investment Canada contact.

7. **What are the standards against which a foreign investment proposal is judged ?**

The basic standard is "net benefit" to Canada, a far better-defined and more limited criterion than FIRA's

"significant benefit". Net benefit is judged in relation to the effect of the proposed transaction on the Canadian economy (including employment level and degree of value-added); the degree of participation by Canadians in the specific Canadian firm involved and in the Canadian industry of which it forms a part; the influence on Canadian productivity, industrial competition and technological development; the compatibility of the investment with national and applicable provincial industrial, economic and cultural policy objectives; and the impact on Canada's international competitiveness.

8. **How will Investment Canada's promotional activities affect me ?**

As part of its mandate, Investment Canada will be funding high-level missions (generally led by a Minister) and seminars to promote investment in Canada from other countries, especially the United States. In these activities, as in other promotional programs, Investment Canada will be working in close co-operation with private-sector representatives; the visit this fall to New York and other US financial centres by a delegation from the Independent Petroleum Association of Canada is a case in point. An extensive publications program will make information on Canadian investment opportunities easier to come by. Investment Canada has also just launched a comprehensive data-base, called The Canadian Edge, covering information on the competitive advantages of doing business in Canada, from legal and tax structures to geographical features, from federal and provincial incentive programs to specific investment opportunities. Publications and other information on Investment Canada are readily available throughout the United States, inter alia from Canadian diplomatic missions.

9. **What is the current level of US investment in Canada and vice-versa ? How does this break down between direct and portfolio investment ?**

Even at book value, United States investment in Canada cumulative to the end of 1984 came to about US\$90 billion, of which slightly over half was direct investment and slightly under half portfolio investment. The comparable level of Canadian investment in the US totalled about US\$30 billion (one-third as much in absolute terms but three times as much on a per-capita basis), of which about three-quarters was direct and the rest portfolio-related. The exact figures:

	<u>Canada in USA</u>	<u>USA in Canada</u>
<u>Direct</u>	US\$22 billion	US\$47 billion
<u>Portfolio</u>	US\$ 8 billion	US\$43 billion

10. **How much foreign ownership and control is there in the Canadian economy ? Are foreign firms treated very differently from Canadian ones in legal, tax and financial terms ?**

In the early 1980's, foreign control of Canadian non-financial industry amounted to about 25% on an assets basis, with the US as the dominant foreign participant at over 75% of the total. Major areas of concentration included chemicals (about 75% foreign-controlled), transportation equipment (70%), electrical products (55%) and the oil and gas industry (50%). On the other hand, sectors such as agriculture, utilities and transportation were over 90% Canadian-controlled. Virtually all sectors saw a decline in foreign control during the 1970's; in 1971 the overall level of foreign control was 37%.

As a general rule, foreign-controlled firms registered in Canada are treated the same as Canadian-controlled firms, with a few exceptions in specific sectors such as banking and culture where substantial national control is considered particularly important.

11. **Can you name major international firms that have recently made substantial investments in Canada ?**

All but a handful of the Fortune 500 already have substantial investments in Canada. Under new favourable Canadian policies, many of these companies are increasing this investment and their operations in Canada, where they are being joined by other US and foreign firms. In the automotive sector alone, for example, the last year has seen new Canadian investment totalling over \$2 billion announced by GM, Ford, AMC/Renault and Honda. The Government's new policies in the energy field have led to renewed interest in Canadian drilling by such multinational giants as Mobil, Exxon and Texaco. Since the new Investment Canada Act came into force at the end of June, the number of new foreign investment deals concluded (some reviewed, most simply notified) has risen by 13% over the figure for the comparable period in 1984. And indications are that the tide has only begun to turn.

12. **Most of the previous information deals with direct investment. How about purchases of Canadian stock for my portfolio ?**

As noted above, US purchases of Canadian stocks and bonds make up almost half all American investment in Canada. Unless actual control of the Canadian business is affected, Investment Canada review will not apply. The Wall Street Journal recently predicted a surge in Canadian stock purchases here, as more and

more US brokers become interested and active in the field. The Journal also noted that the relative stability of the Canada-US exchange rate reduces the risk of currency-linked losses, and that the bilateral tax treaty allows most US citizens to credit against their US income taxes any withholding taxes paid on Canadian dividends.

13. **What if I need to visit or even move to Canada in connection with my investments there ?**

About 33 million people crossed the border from the United States to Canada last year. Citizens of the United States and US resident aliens do not require visas to visit Canada on a temporary basis to oversee their investments. Those who wish to undertake a long-term stay in Canada and manage their investments more actively are welcome and encouraged to apply for permanent residence. In order to assist such applicants, Canada has established an entrepreneurial immigration program that functions on a priority basis at our Embassies and Consulates abroad.

14. **Where do I go for more information ?**

The information provided in this paper has of necessity been selective and compressed. For fuller detail and a more authentic rendition, please contact the Canadian Consulate-General, 1251 Avenue of the Americas, New York 10020-1175 (phone: 212-586-2400). Your contacts include Jean-Michel Roy for business enquiries and Rob McDougall for media enquiries; a new Investment Canada representative will be appointed shortly. On entrepreneurial immigration, dial 212-581-9503 and ask for the Consulate General's Jerry Shea.

Investment Canada's extensive data-base can also be accessed directly at 1-800-267-0490 (toll-free) or through Gerry Bourque, Director of Investment Services, at 613-995-0657.

### Cultural Sectors

Question: Why does the Investment Canada Act single out cases related to Canada's national identity and cultural heritage for special consideration?

Answer: Like all countries, Canada believes that it is necessary to pay special attention to foreign ownership in cultural sectors. For example, in broadcasting, foreign participation is limited to 20% in the United States, Canada and Australia. In publishing, France, Finland and Sweden are among the countries regulating foreign investment, and in the film industry, Switzerland, Spain and France restrict non-national investment.

### Book Publishing Policy, Prentice-Hall

Question: On July 6th, the Government announced a new book publishing policy for foreign takeovers in the book publishing and distribution sector. How does this policy affect the acquisition of Prentice-Hall Canada by Gulf & Western?

Answer: Cases in the book publishing and distribution sector are being reviewed in the light of the announced Government policy. The Prentice-Hall people have indicated that they would like some time to weigh the communications policy that the Minister of Communications made public some time ago. Of course, we have facilitated their deliberations by giving them extended time.

### Macdonald Commission

Question: The Macdonald Commission recommended that Canada ease restrictions on foreign investment but lay down rules to ensure non-Canadian firms act as good corporate citizens. Would the Minister comment on the Macdonald Commission's suggestions?

Answer: I was pleased to see that the Commission's report includes a number of recommendations on foreign investment. Investment Canada is now in place and non-Canadian investors are pleased with its performance. At this particular time, our policy is working well, and I see no reason to alter it. The Commission's suggestions will be looked at again if and when our policy needs revision.

Summary of Foreign Investment Policy Issues and  
Recommendations of the Macdonald Commission

1. Issues

Policies toward inward foreign investment must take into account:

- Canada's interest in securing equitable reciprocal treatment for the substantial and growing Canadian investment abroad;
- the valuable technology, managerial "know how" and entrepreneurship accompanying foreign investment;
- the little evidence linking extensive foreign control to deficiencies in Canada's industrial performance;
- possible conflicts between foreign-government influence on parent companies and Canadian government policies on the performance of subsidiaries in Canada;
- non-discrimination. The Commission believes that the same tax and regulatory policies applicable to domestic firms should generally govern foreign-controlled firms, except in sectors where cultural or national security issues predominate.

2. Recommendations

The report makes the following recommendations:

- a) Key Sectors (e.g. banking, communications, fishing, etc.)
  - A review of regulations prohibiting or limiting foreign investment in certain key sectors. The report notes that key sector limitations do not recognize the economic gains that might accrue from the operation of foreign-controlled enterprises. The Commission believes that the Government should close sectors only to defend compelling national interests;
- b) Investment Review
  - Creation of a quasi-judicial administrative tribunal to review and decide cases. The tribunal would hold public hearings and provide written reasons for decisions;
  - adoption of rules of procedure to avoid undue delay in the screening process;
  - in reviewing acquisitions, Investment Canada should emphasize the likely consequences for the cost efficiency and technology progressiveness of the domestic industry as well as the effect on competition;

- raise the review threshold for direct takeovers to \$50 million in assets;
- monitor the effect on competition of the exemption of new businesses from review; (The Commission supports that exemption);
- invest more resources in the collection and analysis of information that would permit comparison of the performance of foreign and domestic firms.

c) Other

- Formulate a corporate code of conduct setting out performance standards in such areas as research and development, technology transfer, export sales and domestic sourcing of goods and services;
- require directors of all major corporations whether domestic or foreign-controlled with assets of \$50 million or more, to report annually on their firm's adherence to the code of conduct;
- require Canadian directors of foreign-controlled companies in Canada to file an annual report describing their efforts to promote the performance requirements of the code.



RESTRICTIONS ON INWARD DIRECT INVESTMENT  
IN CULTURAL INDUSTRIES  
IN VARIOUS COUNTRIES

Various countries have a range of restrictions on foreign investment in cultural industries, including the publishing, film and broadcasting sectors. Hereinafter, is a survey of those restrictions in the OECD countries and in Argentina, Brazil and Mexico.

A. PUBLISHING

There are six O.E.C.D. countries (Australia, Finland, France, Portugal, Spain and Sweden) in addition to Canada and a number of Latin American countries, including the three largest (Argentina, Brasil and Mexico) restricting inward direct investment in book publishing and periodicals. Those controls and impediments are as follows:

Australia: (1) Foreign participation in mass circulation newspapers is restricted, and usually not permitted. All proposals by foreign interests to establish a newspaper in Australia are subject to case-by-case examination, irrespective of the size of the proposed investment; however, there is no definition of the specific conditions required for approval.  
(2) Further, approval is not normally given to proposals by foreign interests to establish ethnic newspapers in Australia, unless there is substantial involvement by the local ethnic community and effective local control of editorial policy.

Finland: Foreign ownership of publishing firms is limited to 20 percent in Finland. This level of ownership is not determined by any legislation but is rather subject to administrative practice. The Foreign Investment Commission (composed of the Minister of Trade and Industry, representatives of the Bank of Finland, of the main ministries, trade unions, industrial federations and political parties) decide the level of ownership in any sector. Furthermore, Finnish nationals must be the responsible managers in newspapers and periodicals.

France: Written press and periodicals published on a daily to monthly basis in France are subject to "Régime de la presse", which is composed of two laws "L'ordonnance de 1944" and "Loi sur la presse du 23 octobre 1984". These two laws may be partly conflicting and the French authorities are presently considering redefining the "Régime de la Presse". The present situation is as follows:

a. General publications:

Investments in this category are subject to articles 3 and 19 of the ordonnance of 1944, which prohibits any foreign participation, even a minority participation, in these publications.

b. Publications of political and general information:

If there are no "national assimilation" or reciprocity agreements between France and the country of origin of the investor:

- foreign investment in "political and general information" periodicals is limited 20% of the share capital;
- foreign investor having acquired a minority participation lower than 20% in a "political and general information" periodical cannot have interest in more than one business in the publishing sector in France.

Portugal: The constitution of Portugal and its laws related to the publishing sector require 90% Portuguese ownership in all businesses engaged in printing newspapers and periodicals in Portugal.

Spain: Under Franco, the media were subject to the censorship of the regime, and foreign ownership in newspapers, periodicals and news agencies was prohibited. As of August 1984, foreign participation in newspapers, periodicals and news agencies is reinstated. —However, the State will only give financial support to businesses entirely Spanish-owned.

Sweden: The Press Law forbids foreigners from owning or publishing Swedish periodicals, including daily newspapers.

Argentina: Although the legislation does not preclude foreign investors from any particular activity, prior Government approval is required, under penalty of being legally null and void, if investments by foreigners are made in newspapers, magazines and publishing businesses.

Brazil: According to section 174 of the Constitution of Brazil, foreign investors are prohibited from owning newspapers and periodicals in Brazil.

Mexico: Foreign investment is permitted only up to 49% in publishing.

Although the United States does not apply any restrictions on inward investment in magazines and newspapers, it should be noted that there is a registration provision.

While the restrictions in all the countries above apply to periodicals, the measures adopted in Canada, Finland, Spain, Argentina and Mexico also cover book publishing.

B. FILMS

The following countries have adopted special measures related to foreign ownership in the film industry.

France: Foreign investment in movie production and distribution businesses, and in movie theatre operations are subject to a special authorisation which is granted only on a case-by-case basis.

Spain: Foreign ownership in film producing enterprises is prohibited unless a special authorization from the Council of Ministers is granted. However, co-productions are possible, and in January 1986, with the admission of Spain to the EEC, all EEC companies will be entitled to produce films.

There are also quotas on the distribution and exhibition of foreign films dubbed in Spanish. The distributors (which may be foreign-owned) must distribute one Spanish film for four dubbed foreign films; exhibitors (which may also be foreign) must show one Spanish film for three dubbed foreign films. There are no quotas for foreign films not dubbed in Spanish.

Switzerland Only Swiss-owned companies are permitted to distribute motion picture films in Switzerland.

Mexico: Foreign investment is permitted up to 49% in production, distribution and exhibition of motion picture films.

In many parts of the world, including France, Italy and Japan, there are screen quotas requiring that theatres play a minimum number of weeks of domestically-made films during each year. Such a measure, as well as import restrictions on the number of films admitted, freezes out foreign films. Surprisingly enough, screen quotas do not contravene the GATT. Article IV of the GATT, negotiated at the time of the initial agreement after World War II, actually considers cinematographic films as an exception, and recognizes the right of countries to implement screen quotas. Actually, after World War II, most countries imposed screen quotas to protect their own national film industry.

Dubbing and subtitling is inherent in distribution in those parts of the world where the English language is not primary. Films are dubbed to the native tongue in several important markets (e.g. France, Italy, west Germany, Spain) and subtitled elsewhere (e.g. Latin America) to meet local conditions. Restrictions have been imposed by some countries (e.g. France) to favor such work and printing by local nationals and studios, rather than permitting it to be accomplished elsewhere on the best and most economic terms available.

### C. BROADCASTING

All countries of the OECD impose restrictions on the access of their broadcasting sector to non-nationals. In the majority of these countries, broadcasting stations are owned by a public monopoly, and consequently, private investment of either local or foreign origin is prohibited. There is a growing number of countries opening their broadcasting sector to local private capital, through private or mixed monopoly.

Four countries, Australia, Canada, Japan and the U.S.A. accept minority foreign participation of up to 20% in the equity capital of TV and radio broadcasting licensees (in Japan, foreign ownership in radio broadcasting can be up to 33%).

While all countries, reserve the control of broadcasting businesses exclusively for their nationals, there are two outstanding exceptions to that rule: the United Kingdom and Italy. In the United Kingdom, the controlling interest in program companies can belong to either U.K. residents (regardless of their nationality) or to EEC nationals resident in the EEC. In Italy, local TV stations can be owned by foreign capital, but national broadcasting is reserved for a state monopoly.

The table below illustrates the situation in all OECD countries. Unless otherwise indicated, these controls apply both to radio and television broadcasting.

When a cable industry exists in a country, usually the same rules as applied to broadcasting are applied to it. The exception is the United States which permits foreign-owned and controlled companies to operate cable businesses.

Controls and Impediments Affecting Inward Direct Investment  
in Broadcasting in OECD Countries

Countries	Limitations	Prohibition due to monopoly	
		Public	Private or mixed
Australia	X		
Austria		X	
Belgium		X	
Canada	X		
Denmark		X	
Finland		X	
France			X
Germany		X	
Greece		X	
Ireland		X	
Italy	X		
Japan	X		
Luxembourg		X	
Netherlands			X
New Zealand		X (TV)	X (Radio)
Norway			X
Portugal		X	
Spain		X	
Sweden		X	
Switzerland			X
Turkey		X	
U.K.	X		
U.S.A.	X		

KEY ECONOMIC INDICATORS

	1984	Forecast	
		1985	1986
GNP (\$B)	420.9	454.1	486.4
Labour Force (million)	12.40	12.63	12.85
Employment (million)	11.00	11.30	11.53
Unemployment ('000)	1,399	1,331	1,321
Unemployment Rate (%)	11.3	10.5	10.25
Housing Starts ('000)	135	145	165
Current Account Bal (\$B)	+2.6	NIL	-1.0
Prime rate (year end)	11.25	10	9

Source: The Financial Post - September 28/85

QUICK FACTS - CANADA

Quarterly Economic Facts (Seasonally Adjusted)

	Latest Quarter	Previous Quarter	Change from year ago
GNP (\$B)	2Q'85 449.3	440.99	+7.4%
Personal Income (\$B)	2Q'85 389.65	381.98	+8.7%
Personal Disposable Income (\$B)	2Q'85 314.43	308.69	+8.4%
Pretax Profits (\$B)	2Q'85 40.58	42.08	+3.6%
Manufacturing Capacity Usage (%)	1stQ'85 76.0	76.8	

Source: The Financial Post - September 28/85

Industrial and Corporate  
Research Branch

October, 1985

Canadian Labour Force 1984

Region	Number (000s)	%
Atlantic Provinces	955	7.7
Quebec	3,123	25.2
Ontario	4,665	37.6
Prairie Provinces	2,246	18.1
British Columbia	1,410	11.4
Total	12,399	100

Source: Stats Canada, Canadian Statistical Review

Direction of Canada's 1984 Trade

Country	Domestic Exports		Imports		Balance
	\$B	%	\$B	%	\$B
U.S.	82.8	75.6	68.5	71.5	14.3
Japan	5.6	5.1	5.7	6.0	-0.1
U.K.	2.4	2.2	2.3	2.4	0.1
USSR	2.1	1.9	0.3	0.3	1.8
P.R. China	1.3	1.2	0.3	0.3	1.0
Germany	1.2	1.1	2.2	2.3	-1.0
Netherlands	1.1	1.0	0.5	0.5	0.6
Brazil	0.8	0.7	0.7	0.7	0.1
S. Korea	0.7	0.6	1.2	1.3	-0.5
France	0.7	0.6	1.2	1.3	-0.5
Italy	0.4	0.4	1.4	1.5	-1.0

Source: Stats Canada - Summary of External Trade

PRINCIPAL CANADIAN EXPORTS

Commodity	1984		Average Annual
	\$B	%	Growth Rate 1975-1984 %
Transport Equipment	32.3	28.7	18.5
Wood and Paper	15.2	13.5	13.2
Food, Feed, Beverages, Tobacco	10.3	9.2	11.1
Non-Ferrous Metal	6.4	5.7	15.9
Chemicals	5.3	4.7	20.4
Industrial Machinery	2.8	2.5	13.4
Iron & Steel	2.2	2.0	13.6
Other	38.0	33.8	13.2
	112.5	100	14.7

Source: Stats Canada - Summary of External Trade

PRINCIPAL CANADIAN IMPORTS

Commodity	1984		Average Annual
	\$B	%	Growth Rate 1975-1984 %
Transport Equipment	30.2	31.5	13.5
Food, Feed Beverages, Tobacco	5.8	6.1	9.3
Chemicals	5.2	5.4	14.8
Computers	4.0	4.2	33.4
Industry Machinery	4.0	4.2	8.0
Crude Petroleum	3.4	3.6	0.0
Gen. Purpose Machine	2.6	2.7	7.1
Others	40.6	42.3	---
	95.8	100	12.3

Source: Stats Canada, Summary of External Trade

TRADE BALANCES

	1984	Forecast	
		1985	1986
Goods Trade Balance (\$B)	+20.7	+19.0	+20.0
Services & transfer Balance (\$B)	-18.1	-19.0	-21.0
Current Account Balance (\$B)	+2.6	NIL	-1.0

Source: The Financial Post, September 28, 1985

ENERGY

Prices in Various Countries for Selected Refined  
Petroleum Products (December 1984)

Country	<u>Regular Leaded Gasoline</u>		<u>Domestic Heating Oil</u>	
	£ litre	£ US gallon	£ litre	£ US gallon
Canada	50.5	191.3	37.5	142.0
U.S.	38.7	146.6	37.8	143.2
U.K.	63.6	240.9	41.1	155.7
France	74.2	281.0	41.0	155.3
Italy	86.4	327.2	43.6	165.2
Germany	57.9	219.3	34.9	132.2

Source: Energy, Mines & Resources

ENERGY

Domestic Production and Reserves

	<u>Production</u>		<u>Reserves or Installed Capacity</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
	Crude Oil (m <sup>3</sup> average daily production)	186,081	201,760	719.0 (mill. m <sup>3</sup> )
Electrical Power Generation (TWH per year)	395.5	427.8	88.9 (G.W.)	92.1 (G.W.)
Natural Gas (billion m <sup>3</sup> per year)	64.5	72.4	2150	N/A
Coal, all types (kilotonnes per year)	44,780	57,402	N/A	N/A

Source: Energy Mines & Resources



Banking & Finance

Largest Canadian Banks, by Asset Size

<u>Bank</u>	<u>Assets (\$B)</u>
Royal Bank	93.04
Bank of Montreal	80.00
Imperial Bank of Commerce	74.47
Bank of Nova Scotia	59.84
Toronto Dominion Bank	48.95

Source: Canadian Bankers Association, March 1985

Percentage Share of the World Stock  
of Foreign Investment\*

<u>Investor Country</u>	<u>1971</u>	<u>1983</u>
United States	52	44
United Kingdom	15	7
West Germany	4	8
Japan	3	12
Switzerland	4	5
France	6	3
Canada	4	4
Netherlands	2	4
Sweden	2	1

\* A rough estimate of the stock of direct investment worldwide at the end of 1983 is \$500-\$550 billion.

Foreign Direct Investment 1984  
(book value in \$millions)

	<u>In Canada</u>	<u>Canadian Investment Abroad</u>
U.S.	64,210	29,629
U.K.	7,345	1,850
West Germany	2,359	257
Japan	1,690	160
France	1,250	305
Others	6,274	9,182
Total	83,128	41,383

Source: Statistics Canada, Balance of Payments,  
daily August 20, 1985

Foreign Direct Investment - Net Capital flows  
(\$ millions)

	<u>1984</u>					<u>1985</u>
	Q1	Q2	Q3	Q4	Total	Q1
In Canada	625	675	450	630	2380	-550
Abroad	-800	-675	-1250	-1300	-4025	-1250

Source: Statistics Canada, Balance of Payments, daily May 31, 1985

RECENT OECD ECONOMIC INDICATORS  
GROWTH IN REAL OUTPUT (%)

	<u>1984</u>	<u>OECD Projections</u>	
		<u>1985</u>	<u>1986</u>
U.S.	6.8	3.25	2.75
Japan	5.8	5.25	4.50
Germany	2.5	2.50	2.75
France	1.8	1.75	2.00
U.K.	2.0	3.25	2.50
Italy	3.0	2.25	1.75
Canada	4.7	3.25	3.25

Source: OECD Economic Outlook, June 1985

RECENT OECD ECONOMIC INDICATORS  
EMPLOYMENT GROWTH (%)

	<u>1984</u>	<u>OECD Projections</u>	
		<u>1985</u>	<u>1986</u>
U.S.	4.1	2.00	1.75
Japan	0.5	1.50	1.25
Germany	-0.3	0.00	0.50
France	-1.0	-0.75	-0.50
U.K.	1.0	1.00	1.25
Italy	0.0	0.25	0.00
Canada	2.5	3.25	3.25

Source: OECD Economic Outlook, June 1985

**RECENT CANADA - U.S. PERFORMANCE**  
**% CHANGE QUARTER TO QUARTER**

	<u>Real Output</u>		<u>Consumer Prices</u>		<u>Employment</u>	
	<u>Canada</u>	<u>U.S.</u>	<u>Canada</u>	<u>U.S.</u>	<u>Canada</u>	<u>U.S.</u>
1984 I	1.0	2.4	1.2	0.8	0.2	1.1
II	0.7	1.7	1.2	0.9	0.5	0.6
III	1.6	0.4	0.9	1.4	1.0	0.3
IV	0.8	1.0	0.7	0.8	0.5*	0.6
1985 I	0.9	1.0	1.2	0.8	0.3	0.7
II	1.0	0.4	0.7	0.8	1.6	0.0

Source: The Conference Board of Canada

**TOTAL COSTS FOR GOODS AND SERVICES\***

<u>CITY</u>	<u>\$ U.S.</u>	<u>CITY</u>	<u>\$ U.S.</u>
Lagos	2,010	Panama	1,230
Tokyo	1,790	Jakarta	1,210
New York	1,600	Singapore	1,150
Abu Dhabi	1,580	Toronto	1,130
Manama (Bahrain)	1,360	Hong Kong	1,110
Chicago	1,330	Montreal	1,100
Houston	1,290	Stockholm	1,070
Jeddah	1,290	Copenhagen	1,050
Oslo	1,290	Kuala Lumpur	1,040
Los Angeles	1,260	Tel Aviv	1,000
Seoul	1,260	Cairo	1,000
Helsinki	1,260	Sydney	990

\*Total costs of a basket of 119 goods and services, excluding rent, weighted by consumer habits.

Source: Union Bank of Switzerland

**PRODUCTION WORKER WAGES 1975, 1984**  
**(\$U.S.)**

<u>Country</u>	<u>1984</u>	<u>1975</u>
United States	12.59	6.36
Canada	11.00	5.86
Japan	6.35	3.05
Britain	5.85	3.26
Germany	9.55	6.35
Sweden	9.15	7.18

\* includes health insurance, social security and other benefits

Source: U.S. Department of Labour

NEW FOUNDLAND

	<u>Entire Year</u>	<u>As indicated</u>	
	<u>1984</u>	<u>1984</u>	<u>1985</u>
Population (est. April 1)	579,700	578,400	579,700
Gross domestic product (at factor cost, est.)	\$5,109.9	\$5,109.9	n/a
Employed (monthly average; January - April)	174,800	117,410	116,676
Unemployed (monthly average; January - April)	45,200	41,000	50,000
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$387.60	\$393.42
Strikes, lockouts (man-days)	191,970	191,970	n/a
New capital investment (est.)	\$1,587.4	\$1,587.4	n/a
Factory shipments (January - May)	\$1,178.6	\$436.6	\$448.7
Value of mineral production (preliminary)	\$993.5	\$993.5	n/a
New construction (est.)	\$1,190.0	\$1,190.0	n/a
Urban housing starts (prelim. January - May)	1,093	325	390
Value of fish landings (January - May)	\$162.4	\$46.5	\$41.0
Farm cash receipts (est. January - April)	\$38.9	\$12.3	\$14.6
Retail sales (January - May)	\$2,062.8	\$784.1	\$846.1
New motor vehicle sales (units: January - May)	21,553	2,354	4,754
June consumer price index (St. John's, 1981 = 100)	n/a	122.7	128.2

QUICK FACTS - PROVINCES

NEW BRUNSWICK

	<u>Entire Year</u>	<u>As indicated</u>	
	<u>1984</u>	<u>1984</u>	<u>1985</u>
Population (est. April 1)	714,900	713,200	718,400
Gross domestic product (at factor cost, est.)	\$7,352.5	\$7,352.5	n/a
Employed (monthly average; January - April)	246,500	171,359	183,341
Unemployed (monthly average; January - April)	43,200	43,000	45,000
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$367.11	\$361.04
Strikes, lockouts (man-days)	11,280	11,280	n/a
New capital investment (est.)	\$1,722.0	\$1,722.0	n/a
Factory shipments (January - May)	\$4,189.8	\$1,835.5	\$1,757.4
Value of mineral production (preliminary)	\$590.4	\$590.4	n/a
New construction (est.)	\$1,117.4	\$1,117.4	n/a
Urban housing starts (prelim. January - May)	1,628	312	757
Value of fish landings (January - May)	\$75.3	\$25.5	\$12.3
Farm cash receipts (est. January - April)	\$230.2	\$81.9	\$70.3
Retail sales (January - May)	\$2,908.2	\$1,105.5	\$1,197.3
New motor vehicle sales (units: January - May)	36,405	6,150	10,479
June consumer price index (Saint John, 1981 = 100)	n/a	122.6	128.0

Industrial and Corporate  
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October, 1985

All dollar figures are in million

PRINCE EDWARD ISLAND

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	125,900	125,300	127,000	
Gross domestic product (at factor cost, est.)	\$1,145.2	\$1,145.2	n/a	
Employed (monthly average; January - April)	48,300	27,247	27,376	
Unemployed (monthly average; January - April)	7,300	6,000	6,000	
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$320.71	\$341.42	
Strikes, lockouts (man-days, January - August)	0	0	n/a	
New capital investment (est.)	\$202.3	\$202.3	n/a	
Factory shipments (January - May)	\$271.2	\$105.0	\$112.1	
Value of mineral production (preliminary)	\$0.9	\$0.9	n/a	
New construction (est.)	\$121.6	\$121.6	n/a	
Urban housing starts (prelim. January - May)	366	77	136	
Value of fish landings (January - May)	\$46.5	\$0.8	\$7.8	
Farm cash receipts (est. January - April)	\$193.4	\$86.4	\$71.2	
Retail sales (January - May)	\$522.1	\$192.8	\$200.7	
New motor vehicle sales (units: January - May)	6,308	926	1,643	
June consumer price index (Charlottetown, Summerside 1981 = 100)	n/a	120.1	124.6	

QUEBEC

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	6,562,200	6,532,500	6,572,300	
Gross domestic product (at factor cost, est.)	\$87,068.4	\$87,068.4	n/a	
Employed (monthly average; January - April)	2,717,000	2,066,392	2,185,222	
Unemployed (monthly average; January - April)	400,400	404,000	383,000	
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$396.21	\$409.66	
Strikes, lockouts (man-days)	1,115,730	1,115,730	n/a	
New capital investment (est.)	\$15,055.3	\$15,055.3	n/a	
Factory shipments (January - May)	\$57,619.6	\$24,031.3	\$24,312.1	
Value of mineral production (preliminary)	\$2,043.4	\$2,043.4	n/a	
New construction (est.)	\$8,876.3	\$8,876.3	n/a	
Urban housing starts (prelim. January - May)	34,988	13,556	15,644	
Value of fish landings (January - May)	\$56.9	\$16.5	\$17.3	
Farm cash receipts (est. January - April)	\$2,903.3	\$887.0	\$913.4	
Retail sales (January - May)	\$28,712.7	\$11,302.9	\$12,297.5	
New motor vehicle sales (units: January - May)	360,249	149,014	229,832	
June consumer price index (Montreal, 1981 = 100)	n/a	123.0	128.3	

except for average weekly wages and salary

NOVA SCOTIA

	<u>Entire Year</u>	<u>As indicated</u>	
	<u>1984</u>	<u>1984</u>	<u>1985</u>
Population (est. April 1)	874,100	870,300	879,600
Gross domestic product (at factor cost, est.)	\$9,282.6	\$9,282.6	n/a
Employed (monthly average; January - April)	335,600	236,880	246,509
Unemployed (monthly average; January - April)	50,500	45,000	50,000
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$355.72	\$373.89
Strikes, lockouts (man-days)	43,000	43,000	n/a
New capital investment (est.)	\$2,674.3	\$2,674.3	n/a
Factory shipments (January - May)	\$4,747.3	\$1,790.0	\$1,985.6
Value of mineral production (preliminary)	\$293.0	\$293.0	n/a
New construction (est.)	\$1,847.2	\$1,847.2	n/a
Urban housing starts (prelim. January - May)	3,347	1,007	1,623
Value of fish landings (January - May)	\$265.3	\$83.4	\$98.0
Farm cash receipts (est. January - April)	\$259.4	\$78.6	\$80.7
Retail sales (January - May)	\$4,003.7	\$1,717.7	\$1,510.7
New motor vehicle sales (units: January - May)	48,297	14,494	8,403
June consumer price index (Halifax, 1981 = 100)	n/a	121.4	127.5

ONTARIO

	<u>Entire Year</u>	<u>As indicated</u>	
	<u>1984</u>	<u>1984</u>	<u>1985</u>
Population (est. April 1)	9,023,900	8,926,300	9,047,900
Gross domestic product (at factor cost, est.)	\$150,437.0	\$150,437.0	n/a
Employed (monthly average; January - April)	4,236,300	3,438,666	3,589,785
Unemployed (monthly average; January - April)	421,400	400,000	362,000
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$401.83	\$419.42
Strikes, lockouts (man-days)	1,414,350	1,414,350	n/a
New capital investment (est.)	\$24,139.3	\$24,139.3	n/a
Factory shipments (January - May)	\$118,535.2	\$48,775.8	\$52,666.6
Value of mineral production (preliminary)	\$4,493.7	\$4,493.7	n/a
New construction (est.)	\$12,114.1	\$12,114.1	n/a
Urban housing starts (prelim. January - May)	42,321	15,191	17,447
Farm cash receipts (est. January - April)	\$5,426.7	\$1,710.0	\$1,580.0
Retail sales (January - May)	\$43,146.9	\$16,457.3	\$18,366.4
New motor vehicle sales (units: January - May)	497,674	172,012	268,651
June consumer price index (Toronto, 1981 = 100)	n/a	123.7	128.4

es and debt per capita.

MANITOBA

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	1,060,500	1,056,000	1,067,900	
Gross domestic product (at factor cost, est.)	\$15,271.1	\$15,271.1	n/a	
Employed (monthly average; January - April)	471,000	336,061	348,653	
Unemployed (monthly average; January - April)	43,000	36,000	41,000	
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$376.36	\$387.35	
Strikes, lockouts (man-days, January - August)	61,290	61,290	n/a	
New capital investment (est.)	\$2,498.1	\$2,498.1	n/a	
Factory shipments (January - May)	\$5,198.7	\$2,112.7	\$2,202.0	
Value of mineral production (preliminary)	\$755.7	\$755.7	n/a	
New construction (est.)	\$1,427.0	\$1,427.0	n/a	
Urban housing starts (prelim. January - May)	4,654	1,595	1,819	
Farm cash receipts (est. January - April)	\$1,868.2	\$571.3	\$718.4	
Retail sales (January - May)	\$4,445.5	\$1,706.1	\$1,950.0	
New motor vehicle sales (units: January - May)	45,969	10,150	17,202	
June consumer price index (Winnipeg, 1981 = 100)	n/a	120.2	125.7	

BRITISH COLUMBIA

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	2,882,800	2,857,600	2,888,700	
Gross domestic product (at factor cost, est.)	\$44,273.2	\$44,273.2	n/a	
Employed (monthly average; January - April)	1,198,500	890,894	941,448	
Unemployed (monthly average; January - April)	207,800	211,000	205,000	
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$434.02	\$440.11	
Strikes, lockouts (man-days, January - August)	825,200	825,200	n/a	
New capital investment (est.)	\$8,494.6	\$8,494.6	n/a	
Factory shipments (January - May)	\$17,647.4	\$6,719.2	\$7,693.9	
Value of mineral production (preliminary)	\$3,353.7	\$3,353.7	n/a	
New construction (est.)	\$5,642.9	\$5,642.9	n/a	
Urban housing starts (prelim. January - May)	13,825	6,140	6,251	
Farm cash receipts (est. January - April)	\$956.5	\$284.0	\$283.0	
Retail sales (January - May)	\$12,777.7	\$5,005.1	\$5,375.5	
New motor vehicle sales (units: January - May)	108,164	42,672	72,071	
June consumer price index (Victoria, 1981 = 100)	n/a	120.8	125.1	

SASKATCHEWAN

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	1,010,900	1,005,900	1,018,200	
Gross domestic product (at factor cost, est.)	\$16,388.1	\$16,388.1	n/a	
Employed (monthly average; January - April)	437,300	260,170	267,851	
Unemployed (monthly average; January - April)	38,300	35,000	35,000	
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$386.56	\$396.82	
Strikes, lockouts (man-days, January - August)	13,840	13,840	n/a	
New capital investment (est.)	\$3,990.0	\$3,990.0	n/a	
Factory shipments (January - May)	\$2,669.9	\$1,076.4	\$1,079.6	
Value of mineral production (preliminary)	\$3,785.2	\$3,785.2	n/a	
New construction (est.)	\$2,388.1	\$2,388.1	n/a	
Urban housing starts (prelim. January - May)	3,420	1,623	1,523	
Farm cash receipts (est. January - April)	\$4,221.8	\$1,704.7	\$1,933.7	
Retail sales (January - May)	\$4,357.8	\$1,691.8	\$1,817.0	
New motor vehicle sales (units: January - May)	42,880	5,203	7,549	
June consumer price index (Regina, 1981 = 100)	n/a	120.6	125.8	

YUKON

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	22,800	21,900	22,800	
Employed (monthly average; January - April)	n/a	7,748	7,399	
New capital investment Yukon, NWT combined	\$1,723.1	\$1,723.1	n/a	
Value of mineral production (preliminary)	\$59.6	\$59.6	n/a	
New construction Yukon, NWT combined	\$1,501.0	\$1,501.0	n/a	
Retail sales (January - May) Yukon, N.W.T. combined	\$336.0	\$122.3	\$134.8	

NORTHWEST TERRITORIES

	Entire Year		As indicated	
	1984	1984	1984	1985
Population (est. April 1)	50,500	49,400	50,900	
Employed (monthly average; January - April)	n/a	16,604	16,545	
New capital investment Yukon, NWT combined	\$1,723.1	\$1,723.1	n/a	
Value of mineral production (preliminary)	\$737.8	\$737.8	n/a	
New construction Yukon, NWT combined	\$1,501.0	\$1,501.0	n/a	
Retail sales (January - May) Yukon, N.W.T. combined	\$336.0	\$122.3	\$134.8	

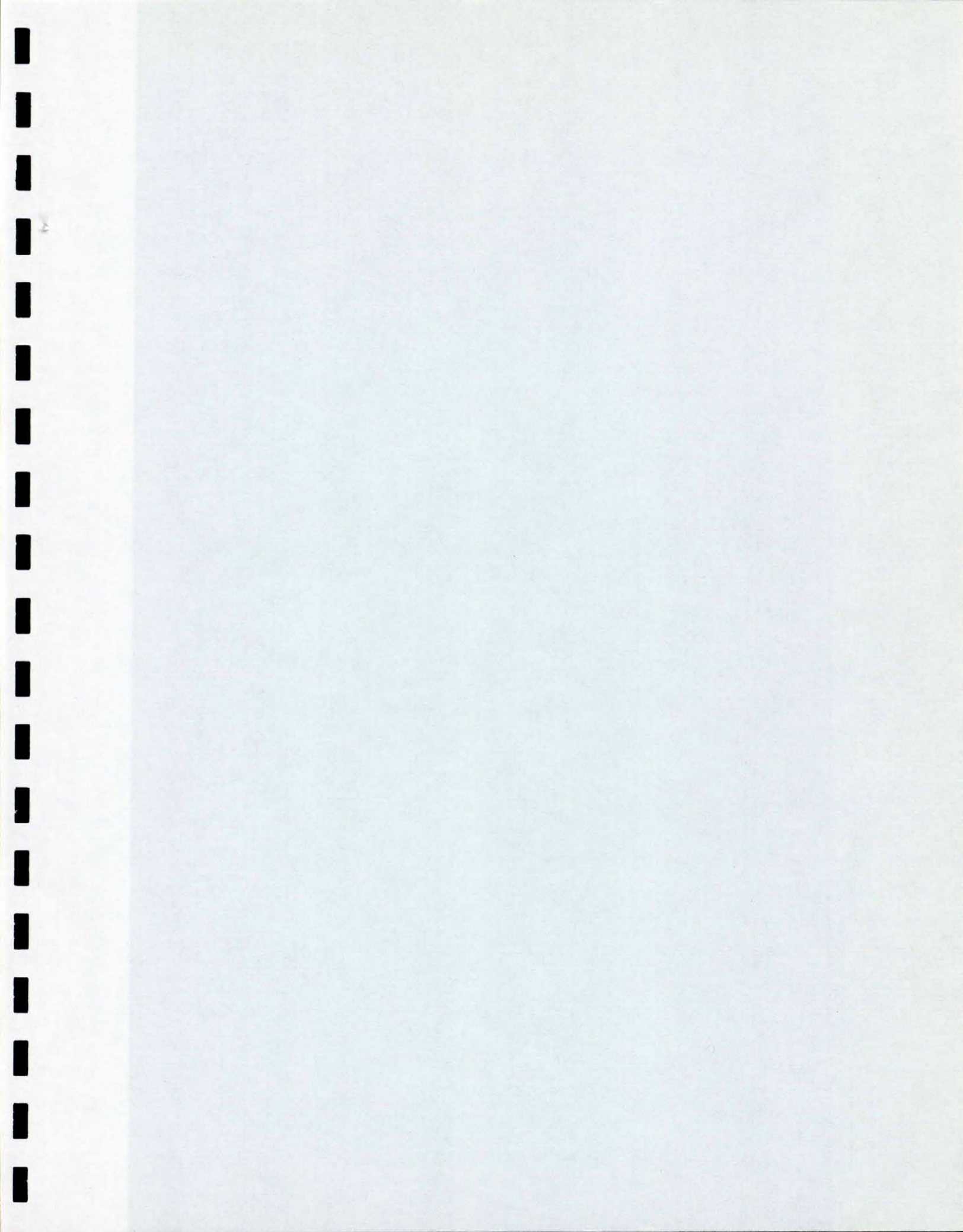


ALBERTA

	<u>Entire Year</u>	<u>As indicated</u>	
	<u>1984</u>	<u>1984</u>	<u>1985</u>
Population (est. April 1)	2,344,700	2,340,900	2,344,600
Gross domestic product (at factor cost, est.)	\$53,272.1	\$53,272.1	n/a
Employed (monthly averages; January - April)	1,112,400	781,834	849,425
Unemployed (monthly averages; January - April)	139,600	140,000	115,000
Average weekly wages and salaries (est. industrial composite, May)	n/a	\$437.44	\$441.44
Strikes, lockouts (man-days, January - August)	79,230	79,230	n/a
New capital investment (est.)	\$13,240.7	\$13,240.7	n/a
Factory shipments (January - May)	\$13,855.9	\$5,572.3	\$5,884.9
Value of mineral production (preliminary)	\$25,963.7	\$25,963.7	n/a
New construction (est.)	\$9,247.0	\$9,247.0	n/a
Urban housing starts (prelim. January - May)	5,140	2,208	1,531
Farm cash receipts (est. January - April)	\$1,782.6	\$1,375.3	\$1,521.7
Retail sales (January - May)	\$11,643.5	\$4,541.3	\$5,063.6
New motor vehicle sales (units, January - May)	116,003	28,193	42,063
June consumer price index (Edmonton, 1981 = 100)	n/a	119.8	124.7

PROVINCIAL SALES TAX

<u>PROVINCE</u>	<u>PERCENT</u>
Newfoundland	12
Prince Edward Island	10
Nova Scotia	10
New Brunswick	10
Quebec	9
Ontario	7
Manitoba	6
Saskatchewan	5
Alberta	-
British Columbia	7
Yukon	-
Northwest Territories	-



## THE INVESTMENT CANADA ACT

### Key features of the new Act

The Investment Canada Act recognizes that investment is central to economic growth and new employment opportunities and the key to technological advancement. For this reason, investment in Canada by both Canadians and non-Canadians is expected to bring benefit to Canada.

The Act replaces the Foreign Investment Review Act and establishes an Agency, Investment Canada, with a mandate to encourage and facilitate investment. At the same time it provides for a review of large acquisitions in Canada by non-Canadians to ensure that they are likely to be of benefit to Canada. For small acquisitions and the establishment of new businesses, non-Canadian investors need only notify the Agency of their investment.

### Responsibilities of the Minister and Agency

Part I of the Act (Sections 4 - 9) describes the responsibilities of the Minister, and thereby of the Agency, to carry out activities that encourage investment and ensure benefit. The Minister will:

- encourage business investment by appropriate means;
- assist Canadian businesses to exploit opportunities for investment and technological advancement;
- carry out research and analysis pertaining to domestic and international investment;
- provide investment information services and other investment services to facilitate economic growth in Canada;
- assist in the development of industrial and economic policies that affect investment in Canada;
- ensure that the notification and the review of investments are carried out as required by legislation.

The Act envisages that the Minister will seek the co-operation of other federal Government departments, the provinces and the private sector with a view to improving the investment climate and providing services that will assist Canadians to exploit new investment opportunities.



**INVESTMENT  
CANADA**

**INVESTISSEMENT  
CANADA**

June 1985

Specific exemptions from both notification and review (Part II, Section 10)

Some transactions by non-Canadians are not intended to be affected by the legislation. They include:

- certain temporary or involuntary acquisitions of control of a Canadian business
  - by security dealers or traders or venture capitalists in the normal course of their business,
  - to facilitate the financing of the Canadian business,
  - by inheritance;
- the acquisition of control of a Canadian business in connection with the realization of security granted for a loan or other financial assistance;
- the acquisition of control of a Canadian business by reason of an amalgamation, a merger, a consolidation or corporate reorganization where the ultimate control of the business remains unchanged;
- the acquisition of control of a business of a crown corporation or of a provincial or municipal corporation;
- investments regulated under the Bank Act;
- the acquisition of control of farms;
- investments by life insurance companies for the benefit of their Canadian policyholders.

Definitions, Rules and Presumptions

Section 3 provides definitions and Part V (Sections 26 - 32) provides rules and presumptions to assist in interpreting the provisions of the Act relating to the notification and review procedures for investments by non-Canadians. They are intended to provide greater certainty as to the applicability of the legislation. They include:

- . "business" includes any undertaking or enterprise capable of generating revenue and carried on in anticipation of profit;
- . "Canada" includes the territorial sea of Canada as determined in accordance with the Territorial Sea and Fishing Zones Act, its seabed and subsoil and all other areas beyond the territorial sea of Canada where Canada has or claims jurisdiction.

"Canadian" means

- (a) a Canadian citizen or permanent resident within the meaning of the Immigration Act, 1976, except a permanent resident who has not applied for Canadian citizenship within one year of the date of eligibility to do so,
- (b) a Canadian government, whether federal, provincial or local, or an agency of such governments, or
- (c) a Canadian-controlled entity (corporation, partnership, trust or joint venture);

Rules for determining whether a corporation or other entity is Canadian or non-Canadian (Part V, Sections 26 and 27)

- If one Canadian or two or more Canadian members of a voting group own a majority of the voting interests of an entity, it is Canadian-controlled;
- If one non-Canadian or two or more non-Canadian members of a voting group own a majority of the voting interests of an entity, it is not Canadian-controlled;
- If Canadians own a majority of the voting interests of an entity it is a Canadian-controlled entity if it can be established that the entity is not in fact controlled through the ownership of voting interests by a non-Canadian or by a voting group where non-Canadians own one-half or more of the group's voting interests;
- If less than a majority of the voting interests of an entity are owned by Canadians, it is presumed not to be a Canadian-controlled entity unless it can be established that:
  - the entity is in fact controlled through the ownership of voting interests by a Canadian or by a voting group in which Canadians hold a majority of the voting interests, or
  - the entity is not controlled in fact by any owner of voting interests or voting group and that Canadians comprise two-thirds of:
    - . the board of directors, in the case of a corporation,
    - . the general partners, in the case of a limited partnership,
    - . the trustees, in the case of a trust;
- If two persons, one of whom is a non-Canadian, own equally all of the voting shares of a corporation, the corporation is not Canadian-controlled;

- If, in the case of a corporation incorporated in Canada whose voting shares are publicly traded in the open market, the Minister is satisfied that the following conditions have applied for at least one year:

- (a) the majority of its voting shares are owned by Canadians,
- (b) four-fifths of the members of its board of directors are Canadian citizens ordinarily resident in Canada,
- (c) its chief executive officer and three of its four most highly remunerated officers are Canadian citizens ordinarily resident in Canada,
- (d) its principal place of business is located in Canada,
- (e) its board of directors supervises the management of its business and affairs on an autonomous basis without direction from any shareholder other than through the normal exercise of voting rights at meetings of its shareholders,

the corporation is deemed to be a Canadian for up to two years, irrespective of de facto control, for the purpose of all reviewable acquisitions except those in the culturally-related activities identified below under Notification.

The Act provides for the Minister, on the basis of information submitted by an individual or entity, to give a written opinion as to whether or not an individual or entity is a Canadian.

- . "non-Canadian" means an individual, a government or government agency or an entity that is not a Canadian;
- . "Canadian business" means a business carried on in Canada that has
  - (a) a place of business in Canada,
  - (b) an individual or individuals in Canada employed or self-employed in connection with the business, and
  - (c) assets in Canada used in carrying on the business;
- . "new Canadian business", in relation to a non-Canadian, means a business that is not already being carried on in Canada by the non-Canadian and that, at the time of its establishment,
  - (a) is unrelated to any other business being carried on in Canada by that non-Canadian, or
  - (b) is related to another business being carried on in Canada by that non-Canadian but falls within a specific type of business activity related to Canada's cultural heritage or national identity that has been prescribed;

- . "joint venture" means an association of two or more persons or entities, where the relationship among those associated persons or entities does not, under the laws in force in Canada, constitute a corporation, a partnership or a trust and where, in the case of an investment to which this Act applies, all the undivided ownership interests in the assets of the Canadian business or in the voting interests of the entity that is the subject of the investment are or will be owned by all the persons or entities that are so associated;
- . "voting share" means a share in the capital of a corporation to which is attached a voting right ordinarily exercisable at meetings of shareholders of the corporation and to which is ordinarily attached a right to receive a share of the profits, or to share in the assets of the corporation on dissolution, or both;
- . "voting interest", with respect to
  - (a) a corporation with share capital, means a voting share,
  - (b) a corporation without share capital, means an ownership interest in the assets that entitles the owner to rights similar to those enjoyed by the owner of a voting share, and
  - (c) a partnership, trust or joint venture, means an ownership interest in the assets that entitles the owner to receive a share of the profits and to share in the assets on dissolution;
- . "voting group" means two or more persons who are associated with respect to the exercise of rights attached to voting interests in an entity by contract, business arrangement, personal relationship, common control in fact through the ownership of voting interests, or otherwise, in such a manner that they would ordinarily be expected to act together on a continuing basis with respect to the exercise of those rights.
- . Acquisition of Control Rules (Sections 28 - 31)

For the purposes of the Act an acquisition is defined as the acquisition of control of a Canadian business by

  - acquisition of all or substantially all of the assets used in carrying on the Canadian business;
  - acquisition of
    - . voting shares of a corporation incorporated in Canada carrying on the Canadian business, or
    - . voting interests of an entity, other than a corporation, carrying on the Canadian business, or

- voting interests of an entity that controls, directly or indirectly, another entity carrying on the Canadian business, where the following presumptions apply:
  - the acquisition of a majority of the voting interests of an entity (including a majority of the voting shares or undivided ownership interests in the voting shares of a corporation) is deemed to be acquisition of control;
  - the acquisition of less than a majority but one-third or more of the voting shares (or an equivalent undivided ownership interest in the voting shares) of a corporation is presumed to be acquisition of control unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquiror through the ownership of voting shares;
  - the acquisition of less than one-third of the voting shares of a corporation or less than a majority of the voting interests of any other entity is deemed not to be acquisition of control.

The Act provides additional rules and presumptions concerning direct and indirect control (Subsection 28(2)), sequential transactions (Section 29) contractual rights to acquire voting interests or assets and multiple or fractional voting rights (Section 30), and application of the Act to part of a business or a business partly carried on in Canada (Section 31).

#### Notification of Investments

##### 1. Investments subject to notification

Part III (Sections 11 - 13) identifies those acquisitions of control of Canadian businesses and investments to establish new businesses in Canada, by non-Canadians, which are subject to notification.

Investments requiring only notification are all new Canadian businesses as defined above (regardless of size), all direct acquisitions of Canadian businesses with assets under \$5M, and most indirect acquisitions of Canadian businesses with assets under \$50M. Indirect acquisitions of Canadian businesses whose assets represent more than 50 percent of the assets involved in the total international transaction are subject to the \$5M threshold rather than the \$50M threshold which applies to all other indirect acquisitions.

In the above and in the following section concerning review, a direct acquisition is the acquisition of control of a Canadian business, either through acquisition of its voting interests or assets or through the acquisition of control of its Canadian parent in Canada. An indirect acquisition is the acquisition of control of a Canadian business through the acquisition of control of its parent outside Canada.



## 2. Notification Procedure

A brief statement of information about the investment, as described in the regulations, will be filed by the investor with the Agency at any time up to 30 days following implementation of the investment.

Generally, no further information will be required about notified investments since it is intended that these will proceed without government intervention.

However, provision is made for the review of investments in specific types of business activity that are related to Canada's cultural heritage or national identity. These activities, which are identified in regulations (Annex D), comprise:

- publication, distribution or sale of books, magazines, periodicals or newspapers in print or machine-readable form;
- production, distribution, sale or exhibition of film or video products;
- production, distribution, sale or exhibition of audio or video music recordings;
- publication, distribution or sale of music in print or machine-readable form.

Only for these identified activities may review be required in exceptional cases. By thus confining the use of the reserve review power to types of business activity that are precisely defined, investors in all other activities are assured that their notified investments cannot be reviewed. Moreover, a notified investment of a type that has been identified in the regulations will be reviewed only if the Minister considers the public interest to warrant review and if the Governor in Council issues an Order to that effect within 21 days of the date when a completed notice of the investment was filed. If such an order is not made within that period, the investment is deemed not to be reviewable.

## Review of Investments

### 1. Investments subject to Review

Part IV (Sections 14 - 25) describes the investments that are subject to review and the procedures to be followed.

Investments requiring review are all direct acquisitions of Canadian businesses with assets of \$5M or more, all indirect acquisitions of Canadian businesses with assets of \$50M or more, and indirect acquisitions of Canadian businesses with assets between \$5M and \$50M which represent more than 50 percent of the value of the total international transaction. In addition, specific acquisitions or new businesses in designated types of business activities related to Canada's cultural heritage or national identity (described above), which would normally only be notifiable, could be reviewed if the Governor in Council had authorized such review in the public interest.

## 2. Review procedure

If an investment is reviewable, an application for review in the form prescribed by regulations is normally required to be filed with the Agency prior to the investment taking place and the investment may not be implemented until the review has been completed. There are, however, certain exceptions. Applications concerning indirect acquisitions may be filed up to 30 days after the investment is implemented; applications concerning reviewable investments in culturally-sensitive sectors are required upon receipt of a notice for review. There is, moreover, provision for the Minister to permit an investment to be implemented prior to completion of the review if he is satisfied that delay would cause undue hardship to the acquiror or jeopardize the operations of the Canadian business that is being acquired.

The Agency will submit the application to the Minister, together with any other information or written undertakings given by the investor and any representations submitted to the Agency by a province that is likely to be significantly affected by the investment.

The Minister will then determine whether the investment is likely to be of net benefit to Canada, taking into account the information provided and having regard to the following factors of assessment, where they are relevant:

### Factors of Assessment

- a) The effect of the investment on the level and nature of economic activity in Canada, including the effect on employment, on resource processing, on the utilization of parts, components and services produced in Canada, and on exports from Canada;
- b) The degree and significance of participation by Canadians in the Canadian business and in any industry in Canada of which it forms a part;
- c) The effect of the investment on productivity, industrial efficiency, technological development, product innovation and product variety in Canada;
- d) The effect of the investment on competition within any industry or industries in Canada;
- e) The compatibility of the investment with national industrial, economic and cultural policies, taking into consideration industrial, economic and cultural policy objectives enunciated by the government or legislature of any province likely to be significantly affected by the investment;
- f) The contribution of the investment to Canada's ability to compete in world markets.

### Time Limits

To ensure prompt review and decision the Act sets certain time limits for the Agency and the Minister.

Within 45 days after a complete application has been received, the Minister must notify the investor that (a) he is satisfied that the investment is likely to be of net benefit to Canada, or (b) he is unable to complete his review, in which case he shall have 30 further days to complete his review (unless the applicant agrees to a longer period), or (c) he is not satisfied that the investment is likely to be of net benefit to Canada.

If 45 days have elapsed from completion date without such a notice, or if 30 further days (or the number of further days agreed) have elapsed after notice that the Minister is unable to complete his review and no decision has been taken, then the Minister is deemed to be satisfied that the investment is likely to be of net benefit to Canada.

Where the Minister has advised the applicant that he is not satisfied that the investment is likely to be of net benefit to Canada, the applicant has the right to make representations and submit undertakings within 30 days of the date of the notice (or any further period that is agreed between the applicant and the Minister). On the expiration of the 30-day period (or agreed extension) the Minister must quickly notify the applicant (a) that he is now satisfied that the investment is likely to be of net benefit to Canada or (b) confirming that he is not satisfied that the investment is likely to be of net benefit to Canada. In the latter case the applicant may not proceed with the investment or, if the investment has already been implemented, must relinquish control of the Canadian business.

### Regulations (Section 35)

Regulations may be issued by the Governor in Council as provided in the Act or as required to carry out the purposes and provisions of the Act, but regulations prescribing business activities related to Canada's cultural heritage or national identity shall be laid before Parliament as quickly as possible after they are made and shall not come into force until 60 days after they are made (except those prescribed at the time the Act came into effect).

Regulations issued when the Act came into force prescribe

- how assets are calculated for the purpose of the review threshold;
- information requirements for notification and review purposes;
- specific activities related to Canada's cultural heritage and national identity.

Confidentiality (Section 36)

Information that is obtained in the course of the administration of the Act is considered to be confidential.

Opinions, Guidelines and Interpretation Notes (Section 37 and 38)

The Act authorizes the Minister to give written opinions, binding the Minister, on the application of the Act or regulations to the person seeking the opinion and the Minister may delegate the authority to give opinions to the Agency or a designated official. The Act also authorizes the Minister to issue guidelines and interpretation notes with respect to the application and administration of any provision of the Act or the regulations. Guidelines or interpretation notes have been issued concerning:

- terms and conditions for venture capital exemption;
- clarification of
  - . a business
  - . a defunct business
  - . part of a business
  - . all or substantially all the assets
  - . a related business

Penalties (Part VII - Sections 39 - 43)

The Act provides for civil penalties for non-compliance with any provision except breach of confidentiality or provision of false information, for which there are criminal penalties.

Transitional Amendments (Part IX - Sections 45 - 46)

The Foreign Investment Review Act is repealed upon the coming into force of the Investment Canada Act.

An investment notice that had been given under the FIR Act will be deemed to be a complete notice or a complete application for review under the Investment Canada Act as of the day that Act came into force. Terms and conditions of investments decided under the FIR Act will remain enforceable, and any legal proceedings commenced under that Act may proceed under the Investment Canada Act. Where an opinion was furnished under the FIR Act that a person is "not a non-eligible person", the person is deemed to be a Canadian as long as the material facts on which the opinion was based remain substantially unchanged or for two years from the coming into force of the Investment Canada Act, whichever period is shorter.

## CANADIAN ADVANTAGES

### TEN GOOD REASONS TO INVEST IN CANADA

#### 1. MARKETS

- \* Canada's domestic markets are large by any standards and growing rapidly.
- \* Canada has one of the world's highest standards of living which means tremendous purchasing power.
- \* Canada offers quick and easy access to the huge U.S. and other major world markets. Within one day's trucking of some Canadian centres lies a market in excess of 120 million customers.

#### 2. ENERGY

- \* Canada has a secure and low cost energy supply including abundant sources of vital natural gas, oil and almost unlimited hydro-electrical power.
- \* Industrial electrical rates are among the lowest in the world and attractive terms are offered to new investors.

3. A STRONG DIVERSIFIED MANUFACTURING BASE

- \* Canada has the eighth largest economy in the western industrialized world.
- \* Manufacturing activity in Canada led the general economic upturn, largely as a result of booming exports to the U.S.
- \* Canada exports 31% of production and is the United States' most important trading partner.
- \* Canada is known the world over for quality production, we've developed standards used by companies everywhere.
- \* Canada has a diverse range of service, resource and manufacturing industries and is committed to increased world competitiveness.

4. RESOURCES

- \* Canada ranks best in the world in terms of the cost and availability of raw materials and energy (EMF Study 1985).
- \* Canada ranks first in the world in mineral exports and third in mineral production. Canada is the largest producer of nickel, silver, asbestos and zinc.

- \* Canada leads the world in exports of fish and fish products and is one of five major wheat producers around the globe.
- \* Canada is also a major supplier of wood and forest products and is a premier producer of newsprint.
- \* Eight percent of Canada is covered by fresh water, lakes and rivers; fifteen percent of the world's fresh water supply resides in Canada.

5. THE CANADIAN DOLLAR

- \* Relative to our major competition, Canada has an attractively valued currency.
- \* Input and manufacturing labour costs are less, on average, than our major competition. eg. manufacturing labour costs averaged \$10.15 in Canada, compared to \$13.42 in Michigan and \$12.38 in Ohio.
- \* Because of Canadian Medicare, employers can realize a 5% reduction in fringe benefit outlays in Canada over most U.S. locations.

6. INNOVATION

- \* Canadians have always been innovative. It goes with the territory. We've had to meet the momentous challenges imposed upon us by our immense size and our relatively small population.

- \* Canada is a world leader in high technology in such specialized fields as electronics, energy, communications and medical technology.
  
- \* Canada encourages co-operation between universities, colleges and government and the private sector.
  
- \* Whatever needs exist, Canada either has the research base available of facilities ready to accept the challenge.

7. THE WORKFORCE

- \* You don't pioneer a country the size of Canada unless you're ready to work. This spirit typifies the more than 12.5 million people who make up our country's workforce.
  
- \* Canada receives high marks for its young and well educated workforce.
  
- \* Canada has the educational system and training facilities to meet most employers' needs.
  
- \* The Canadian workforce is adaptable, motivated and mobile.



8. TRANSPORTATION AND COMMUNICATIONS

- \* With a low population density and massive distances, Canada has had to develop transportation and communications technology to grow and prosper.
- \* Canada has a sophisticated communications infrastructure for high speed, high quality digital data transmission based on international standards; extensive installation of cable and optical fibre for digital communications, particularly in the province of Saskatchewan (the most advanced networks in the world); unique centralized data base services providing one call on line access to major Canadian and U.S. data bases (Bell net); advanced communications software and private telecommunications networks; and applied videotex technology.
- \* Canada also has one of the world's most efficient and reliable transportation networks.
- \* Road, rail and air links are extensive and ocean links extend through the St. Lawrence seaway system to the centre of the continent.

9. BANKING AND FINANCING

- \* Canada has dynamic and competitive capital markets.

- \* Canada has stable, world class financial institutions. Canadian banks rank among the world's best in terms of size, quality of service and accessibility.

10. LIFESTYLE

- \* Canada is among the best housed, best educated and healthiest nations in the world and enjoys a stable political climate in a safe, tolerant environment.
- \* Canada is noted for its clean environment with vast amounts of open spaces; urbane, sophisticated and cosmopolitan cities; wide range of recreational and cultural outlets; universal access to extremely high quality education and health care; and a social security net that ensures minimum standards for the underprivileged in society.

11. A CO-OPERATIVE BUSINESS/GOVERNMENT ENVIRONMENT

- \* A free market economy with a government committed to listening and responding to the needs of the business community, and prepared to support and encourage investment through attractive incentive programs.

## AVANTAGES POUR LE CANADA

### DIX BONNES RAISONS D'INVESTIR AU CANADA

#### 1. MARCHES

- . Les marchés intérieurs, au Canada, sont très vastes et en plein essor d'après toutes les normes établies.
- . Le Canada a l'un des plus hauts niveaux de vie au monde et, de ce fait, un énorme pouvoir d'achat.
- . Le Canada offre un accès rapide et facile à l'immense marché des E.-U. et à d'autres grands marchés mondiaux. Un jour de route seulement suffit pour atteindre un marché de plus de 120 millions de personnes à partir de certains centres canadiens.

#### 2. L'ENERGIE

- . Le Canada a des approvisionnements énergétiques sûrs et à bas prix dont des réserves essentielles de gaz naturel et de pétrole, et des ressources hydro-électriques quasi illimitées.
- . Le prix de l'électricité pour les industries et l'un des plus bas au monde et des conditions attrayantes sont offertes aux nouveaux investisseurs.

3. SOLIDE BASE DE FABRICATION DIVERSIFIEE

- . Le Canada est au huitième rang des pays occidentaux industrialisés pour son économie.
- . L'activité manufacturière au Canada a joué un rôle prépondérant dans l'avancement économique du pays en général et résulte en grande partie de l'abondance des exportations vers les E.-U.
- . Le Canada exporte 31 p. 100 de sa production et est le premier partenaire commercial des E.-U.
- . Le Canada jouit d'une réputation mondiale pour la qualité de ses produits; nos normes sont appliquées par des entreprises du monde entier.
- . Le Canada offre une variété de services, possède de nombreuses ressources et industries manufacturières, et cherche à accroître sa compétitivité sur les marchés mondiaux.

4. RESSOURCES

- . Le Canada est le premier pays au monde pour le coût et l'accessibilité de ses matières premières et de son énergie (étude EMF 1985).

- . Le Canada occupe le premier rang au monde pour ses exportations dans le secteur minier et le troisième pour sa production minière. Le Canada est le plus grand producteur de nickel, d'argent, d'amiante et de zinc.
- . Le Canada est le premier exportateur mondial de poisson et de produits de poisson et l'un des cinq grands producteurs de blé au monde.
- . Le Canada est un important fournisseur de bois et de produits forestiers et l'un des premiers producteurs de papier journal.
- . Les lacs, les rivières et autres voies d'eau douce constituent huit pour cent de la superficie du Canada et quinze pour cent des réserves d'eau douce au monde sont au Canada.

5. LE DOLLAR CANADIEN

- . Comparativement à celle de notre principal concurrent, la valeur de la devise canadienne est intéressante.
- . Les coûts de base et le coût de la main-d'oeuvre de fabrication sont inférieurs, en moyenne, à ceux observés chez notre principal concurrent. Le coût de la main-d'oeuvre était en moyenne de 10,15 \$ au Canada comparativement à 13,42 \$ au Michigan et 12,38 \$ en Ohio, en 1984.

- . Le régime Médicare, au Canada, permet aux employeurs de réaliser une économie de 5 p. 100 sur les avantages sociaux par rapport à la plupart des centres américains.

6. INNOVATION

- . Les Canadiens ont toujours fait preuve de génie innovateur. C'est là une caractéristique de territoire. Le Canada a dû relever des défis d'une importance capitale en raison de son immensité et de sa population relativement faible.
- . Le Canada est l'un des premiers pays au monde pour l'application de techniques de pointe dans des domaines spécialisés comme l'électronique, l'énergie, les communications et les soins médicaux.
- . Le Canada encourage la coopération entre les universités, les collèges, le gouvernement et le secteur privé.
- . Quels que soient les besoins, le Canada possède une base ou des installations pour les travaux de recherche et est en mesure de relever le défi.

7. LA POPULATION ACTIVE

- . Un pays de la taille du Canada n'existerait pas sans les travailleurs. Cela illustre bien la notion de travail dans un pays où la population active totalise plus de 12,5 millions de personnes.
- . Le Canada occupe un très haut rang grâce à sa population active jeune ayant un haut niveau d'instruction.
- . Le système d'enseignements et les installations de formation, au Canada répondent à la plupart des besoins des employeurs.
- . Les travailleurs canadiens sont adaptables, motivés et mobiles.

8. TRANSPORT ET COMMUNICATIONS

- . Le Canada, qui se caractérise par sa faible densité de population et ses énormes distances, a dû se doter d'une technologie des transports et communications pour se développer et prospérer.
- . Le Canada possède une infrastructure perfectionnée de communication pour la transmission des données ultra-rapide et de haute qualité par des systèmes numériques correspondant aux normes internationales; les câbles et les fibres optiques sont fort utilisés pour les communications par des systèmes numériques, dans la province de la

Saskatchewan notamment (les réseaux les plus perfectionnés au monde); des bases de données centralisées uniques permettent l'accès par un appel en direct aux principales bases de données canadiennes et américaines (réseau Bell); des logiciels de communication perfectionnés et des réseaux de télécommunication privés, et la technologie vidéotex appliquée.

- . Le Canada possède aussi l'un des réseaux de transport les plus efficaces et les plus fiables au monde.
- . Les routes, chemins de fer et voies aériennes sont très étendus et la voie maritime du Saint-Laurent assure un lien entre l'océan et le centre du continent.

9. BANQUES ET INSTITUTIONS FINANCIERES

- . Le marché des capitaux, au Canada, se caractérise par son dynamisme et sa compétitivité.
- . Les institutions financières de calibre mondial, au Canada, sont stables.
- . Les banques canadiennes sont parmi les meilleures au monde pour leur taille, la qualité des services offerts et leur accessibilité.



10. MODES DE VIE

- . Le Canada est l'un des premiers pays au monde dans les secteurs de l'habitation, de l'enseignement et de la santé. Son climat politique est stable; le milieu est sûr et tolérant.
  
- . Le Canada est réputé pour la propreté de son environnement; il possède de grands espaces, des villes cosmopolites sophistiquées, un grand nombre d'installations pour les activités récréatives et culturelles; il se caractérise par l'accès universel à un enseignement et à des soins médicaux de très haute qualité; son régime de sécurité sociale assure des normes minimales pour les milieux défavorisés.

11. . COOPERATION ENTREPRISES-GOUVERNEMENT

- . Une économie de libre marché et un gouvernement qui s'efforce d'être à l'écoute des entreprises et de répondre à leurs besoins et est disposé à appuyer et à encourager l'investissement par un ensemble programmes d'incitation affrayants.

## Investment Canada

The Canadian government is dedicated to revitalizing and re-energizing the Canadian economy and has assembled an impressive package of economic initiatives. One of the most significant of these initiatives is Canada's new investment policy.

This policy embodied in the recently proclaimed Investment Canada Act, makes a dramatic break with the past. The new Agency, Investment Canada, has a positive mandate to promote Canada as a strategic and welcome location for investment.

Canada recognizes its economic future and its ability to remain competitive in world markets is dependent on new investment. Investment Canada provides a focus to make Canadians and non-Canadians alike aware of Canada's "go-ahead" mood, our enterprising spirit and our tremendous potential.

Canada has countless comparative advantages, what our Industry Minister has called the "Canadian Edge": a strong industrial base, a skilled and energetic labour force, abundant low cost energy, a wealth of natural resources, superior communications and transportation networks, a thriving domestic market plus convenient access to some of the world's major markets. But now we have even more: a pragmatic and positive new investment policy to encourage investment and promote actively Canada's tremendous strengths, our "Canadian edge".

With this in mind, Investment Canada offers a comprehensive range of investment and information services. Investment Canada's services will be available world wide through our Consulates and Embassies abroad and our domestic regional offices in Canada. We are mobilizing all the energies of our economy into a cohesive unit to encourage and facilitate investment in Canada.

For Canadian Audiences -

We believe that Investment Canada, by actively encouraging and seeking investment, will give the economy a real shot in the arm. Investment means new capital, new ideas and technologies, access to new markets. And above all, investment means new jobs.

For Foreign Audiences -

We invite you to take a good look at Canada. We have an open and flourishing business climate, the right environment for secure and profitable operations. To give you all the details you need on doing business in our country, Investment Canada is at your service.

## Investissement Canada

Le gouvernement canadien s'efforce de donner une nouvelle vigueur à l'économie canadienne et a pris un ensemble impressionnant d'initiatives dans ce sens. L'une des initiatives les plus importantes est la nouvelle politique du Canada sur l'investissement. Cette politique, intégrée à la Loi sur Investissement Canada promulguée récemment, diffère totalement des principes appliqués dans le passé. La nouvelle agence, Investissement Canada, est chargée de promouvoir le Canada comme lieu stratégique favorable aux investissements.

Le Canada est conscient de l'avenir économique et il compte sur les nouveaux investissements pour pouvoir demeurer compétitif sur les marchés mondiaux. Investissement Canada tente de faire savoir aux Canadiens et aux non-Canadiens que le Canada laisse le champ libre à l'initiative, que les Canadiens sont dynamiques et que le pays a un immense potentiel.

Le Canada possède d'innombrables avantages comparatifs que notre ministre de l'Industrie appelle "L'atout canadien". Ces avantages sont: une solide base industrielle, une main-d'oeuvre qualifiée et énergique, des sources d'énergie à bas prix, des ressources naturelles considérables, des réseaux de communication et de transport supérieurs, un marché domestique en plein essor et une facilité d'accès aux principaux marchés mondiaux. Mais maintenant le Canada possède encore plus d'atouts: il a adopté une nouvelle politique pragmatique favorisant les investissements pour encourager les investissements et promouvoir sérieusement les innombrables points forts du Canada, qui constituent "L'atout canadien".

C'est dans cet esprit qu'Investissement Canada offre toute une gamme de services rattachés à l'investissement et à l'information. Les services d'Investissement Canada seront offerts dans le monde entier par l'entremise de nos consulats et ambassades à l'étranger et de nos bureaux régionaux au Canada. Nous regroupons tous les éléments favorables de notre économie pour encourager et faciliter l'investissement au Canada.

Pour les publics canadiens

Nous estimons qu'Investissement Canada, par son encouragement et sa recherche active des investissements, donnera une nouvelle vigueur à l'économie. Les investissements apportent des capitaux, de nouvelles idées et technologies et favorisent l'accès à de nouveaux marchés. Et surtout, les investissements sont synonymes d'emplois.

Pour les publics étrangers

Nous vous invitons à bien examiner les caractéristiques du Canada. Notre système favorise la prospérité; le climat est propice à la sécurité et à la rentabilité. Pour obtenir tous les détails nécessaires sur l'activité commerciale dans notre pays, adressez-vous à Investissement Canada.

RELEASE

COMMUNIQUÉ

New Canadian law encourages investment - the spirit of enterprise

Ottawa, June 27, 1985 -- Industry Minister Sinclair Stevens announced today that the Investment Canada Act will come into force June 30. The purpose of the Act is to encourage and facilitate investment by Canadians and non-Canadians that provides Canada the new capital, the technology and the jobs it needs to attain its economic potential. Mr. Stevens said, "The Investment Canada Act reflects Canada's new spirit of enterprise".

The new legislation creates a new agency, Investment Canada, to replace FIRA. The new agency will play an active role in promoting Canada as a safe and profitable place to invest. It will work with other federal departments and agencies, the provinces, Canada's embassies and consulates, and businesses and their associations in Canada and abroad. It will assist investors by helping them to identify investment opportunities and partners, provide timely information on and contacts in Canadian industry and commerce, as well as other information investors may need for doing business in Canada.



INVESTMENT  
CANADA

INVESTISSEMENT  
CANADA

"Canada is more than just an important source of natural resources," said Mr. Stevens. "We have advanced technology, stable and sophisticated banking and financial institutions, highly-developed communications and transportation systems and, most of all, a highly-qualified labour force. The accent of this legislation is on the positive."

The new act provides the Government the means to ensure that important investments by non-Canadians will be of benefit to Canada. Acquisitions of businesses in Canada with assets of \$5 million or more will be subject to review under the Investment Canada Act. The Act also provides special consideration for investments by non-Canadians in cultural industries such as film production as well as book and newspaper publishing.

Mr. Stevens added, "The Investment Canada Act opens a new era for investment in Canada. It will stimulate investment, technological development and the creation of jobs for Canadians. With this legislation now in place, we can make real economic progress, move ahead and stay ahead."

COMPARISON OF THE KEY FEATURES  
OF THE FOREIGN INVESTMENT REVIEW ACT  
AND THE NEW INVESTMENT CANADA ACT

	<u>Foreign Investment Review Act</u>	<u>Investment Canada Act</u>
Purpose	Level of foreign control a matter of national concern	Investment by Canadians and non-Canadians presumed to be of benefit to Canada
Scope of Review	All new businesses	Not reviewed
	All direct acquisitions	Reviewed if assets are \$5M or more
	All indirect acquisitions	Reviewed if assets are \$50M or more
Scope of Notification	No separate provision as all investment reviewed	All new businesses and acquisitions below thresholds
Reserve power to review	None required	Any investment regardless of size in culturally sensitive sectors
Benefit test	Significant benefit to Canada	Net benefit to Canada
Assessment Factors	Impact on: 1-Economic activity 2-Canadian participation 3-Efficiency & technology 4-Competition and 5-Compatibility with federal and provincial economic and industrial policies	Same 5 factors plus: compatibility with cultural policy and effect on international competitiveness
Review Process	Consultation with: -Provinces affected -Departments affected	Same
	Cabinet - Sensitive cases	Same
	Decision - Governor in Council	Minister
	Time frame - 60 days with unlimited extension by Government	45 days. Extension beyond 75 days only with agreement of investor





	<u>Foreign Investment Review Act</u>	<u>Investment Canada Act</u>
Definition of foreign investor	Complex rules based on control in fact with presumptions biased against investor	Simpler rules which take account of extent of Canadian ownership and employ more balanced presumptions.
Penalties	No incentive to Canadianize Criminal penalties	Modest incentives to Canadianize Civil penalties except for breach of confidentiality
Positive Role	None	Specific mandate to: -encourage investment for growth and jobs; -provide information services; -advise on opportunities, contacts

EFFECT OF THE THRESHOLDS

	<u>FIR Act Reviewed in 1984</u>		<u>Investment Canada Bill Reviewable with thresholds*</u>	
	Number	Value (\$ Millions)	Number (%)	Value(%) (\$ Millions)
New businesses	452	1,750	None Reviewed	
Direct acquisitions	303	1,915	63 (21%)	1,623 (85%)
Indirect acquisitions	<u>133</u>	<u>7,567</u>	<u>12 (9%)</u>	<u>6,567 (87%)</u>
Total	888	11,232	75 (8%)	8,190 (73%)

\*Plus some investments in culturally sensitive sectors.

PRINCIPALES CARACTERISTIQUES DE LA LOI SUR  
L'EXAMEN DE L'INVESTISSEMENT ETRANGER EN COMPARAISON  
DE LA NOUVELLE LOI SUR INVESTISSEMENT CANADA

	<u>Loi sur l'examen de l'investissement étranger</u>	<u>Loi sur Investissement Canada</u>
Objet	Le niveau de contrôle est une question de préoccupation nationale	Il est présumé que l'investissement par des Canadiens ou des non-Canadiens apporte des avantages au Canada
Portée de l'examen	Toute nouvelle entreprise	Exemptée de l'examen
	Toute acquisition directe	Sujette à l'examen si les actifs sont de 5 millions \$ ou plus
	Toute acquisition indirecte	Sujette à l'examen si les actifs sont de 50 millions \$ ou plus
Portée de l'avis d'investissement	Non applicable puisque tout investissement est sujet à l'examen	Toute nouvelle entreprise et toute acquisition dont les actifs sont en deçà des limites qui précèdent
Pouvoir discrétionnaire d'examen	Non applicable	Tout investissement, quelle que soit la taille, dans les secteurs étroitement liés à la culture
Critères "d'avantage"	Les avantages appréciables pour le Canada	A l'avantage net du Canada
Facteurs d'appréciation	Impact sur: 1. l'activité économique, 2. la participation de Canadiens, 3. le rendement industriel et la technologie 4. la concurrence, et 5. la compatibilité avec les politiques industrielles et économiques du Canada et des provinces	Les mêmes 5 facteurs, et en plus: la compatibilité avec la politique culturelle et l'effet sur la compétitivité internationale
Processus d'examen	Consultations avec: - les provinces concernées - les ministères concernés	Identique
	Cabinet - les cas sensibles	Identique



Loi sur l'examen de  
l'investissement étranger

Loi sur  
Investissement Canada

Décision - le gouverneur  
en conseil

Le Ministre

Délais - 60 jours avec  
prolongation sans limite  
par le gouvernement

45 jours. Prolongation au-delà  
de 75 jours seulement avec  
l'accord de l'investisseur

Définition d'un  
investisseur étranger

Règles complexes fondées  
sur le contrôle de fait,  
avec présomptions  
biaisées contre  
l'investisseur

Règles plus simples qui  
tiennent compte du niveau  
de propriété canadienne et  
de présomptions plus équilibrées.

Pas d'encouragement à la  
canadianisation

Modeste encouragement à la  
canadianisation

Recours

Sanctions criminelles

Sanctions civiles sauf pour le  
bris de la confidentialité

Rôle positif

Aucun rôle positif

Mandat spécifique d'encourager  
l'investissement afin de favoriser  
la croissance et les emplois,  
et de fournir des services  
d'information et des conseils  
sur les occasions et les contacts

L'effet des limites

LEIE/sujettes  
à l'examen en 1984  
Nombre Valeur  
(millions \$)

Loi sur Investissement Canada/  
sujettes à l'examen avec limites\*  
Nombre (% du Valeur (% du  
total) (millions \$) total)

Nouvelles entreprises

452 1,750

Aucun examen

Acquisitions directes

303 1,915

63 (21%) 1,623 (85%)

Acquisitions  
indirectes

133 7,567

12 (9%) 6,567 (87%)

Total

888 11,232

75 (8%) 8,190 (73%)

En plus quelques investissements dans des secteurs étroitement liés à la culture

**Salomon Brothers Inc**

One New York Plaza  
New York, NY 10004  
(212) 747-7000

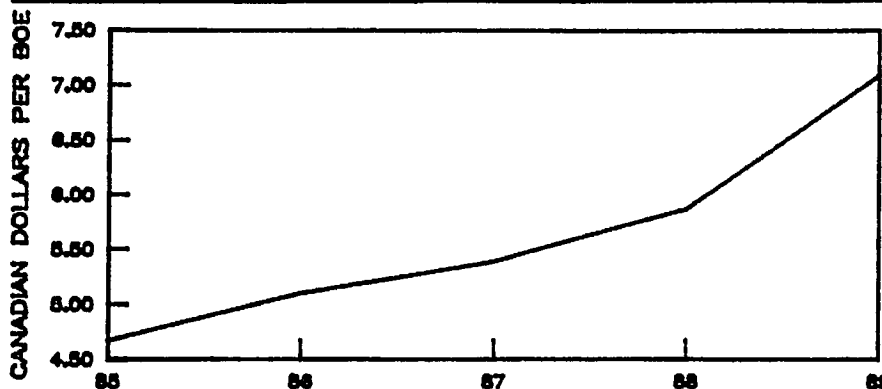
Caren Ellis Winnall  
Bernard J. Picchi, CFA  
(212) 747-7125

**Canada's New Energy Policy**

**Highlights**

- After less than one year in office, the Progressive Conservative Government has dramatically changed Canada's energy policy, removing most of the regulations, taxes and fiscal policies that had stifled the industry since the 1980 National Energy Program (NEP).
- Combined with Alberta's follow-through action to lower royalties and to raise exploration incentives, the changes contained in the recent Federal/provincial Western Accord will increase the composite after-tax netbacks to producers from an estimated \$4.67 per barrel of oil equivalent (BOE) under the NEP to \$7.09 per BOE in 1989, an 11% annual compound growth rate. The policy changes will mean that industry's share of net revenues will climb from 26.4% under the NEP to 44.9% in 1989.

**Figure 1. Canadian Composite After-Tax Netbacks**  
(Canadian Dollars per Barrel of Oil Equivalent)



- The international oil companies operating in Canada will benefit greatly from the shift to free-market oil pricing, because such a high percentage of their production had been receiving artificially low "old" oil prices (pre-1974 production) under the old NEP regulations.
- Oil companies' earnings leverage to Canada's energy policies appear in Figure 2.

**Figure 2. Exploration and Production Net Income from Canada**  
(U.S. Dollars in Millions)

Company	Canadian Exploration and Production Earnings, 1984 <sup>a</sup>	Canadian Earnings as Pct. of 1984 Worldwide Exploration and Production Net Income <sup>a</sup>
Murphy Oil	\$9	39%
Gulf Oil <sup>b</sup>	208	19
Texaco	295	15
Chevron	127	9
Mobil	136	8
Amerada Hess	17	6
Amoco	117	5
Unocal	35E	5
Exxon	203	4
Royal Dutch/Shell	52	2

<sup>a</sup> FAS No. 69 definitions. <sup>b</sup> Owned by Chevron. <sup>E</sup> Estimate.



Office of the  
Prime Minister

Cabinet du  
Premier ministre

Ottawa Canada  
K1A 0A2

Policy Research Division  
Division de la recherche  
Division de la recherche  
Division de la recherche

NOTES FOR A SPEECH

BY THE PRIME MINISTER

TO THE MEMBERS OF

THE ECONOMIC CLUB OF NEW YORK

10 DECEMBER 1984

NOT TO BE RELEASED BEFORE 8:30 P.M. EST, MONDAY, 10 DECEMBER 1984

CHECK AGAINST DELIVERY

Canada

IT IS A GREAT PLEASURE TO BE INVITED TO SPEAK TO THE ECONOMIC CLUB OF NEW YORK.

I AM HONOURED BY YOUR INVITATION.

I WOULD LIKE TO STRESS AT THE OUTSET THAT AS PRIME MINISTER OF CANADA, I PLACE THE HIGHEST PRIORITY ON RETAINING GOOD RELATIONS BETWEEN CANADA AND THE UNITED STATES.

PRESIDENT KENNEDY ONCE DESCRIBED THE RELATIONSHIP BETWEEN OUR TWO COUNTRIES IN THIS WAY: "GEOGRAPHY MADE US NEIGHBOURS, HISTORY MADE US FRIENDS, ECONOMICS HAS MADE US PARTNERS, AND NECESSITY HAS MADE US ALLIES."

MY GOVERNMENT HAS JUST EMBARKED ON A NEW DIRECTION, ONE WHICH I BELIEVE WILL INSTIL IN CANADIANS A NEW SENSE OF NATIONAL PURPOSE; A DIRECTION WHICH WILL RESTORE CANADA AS A MORE DYNAMIC FORCE IN THE INTERNATIONAL COMMUNITY; A DIRECTION WHICH WILL PUT OUR ECONOMY FIRMLY ON THE ROAD TO ECONOMIC RENEWAL.

TONIGHT I WANT TO TALK TO YOU ABOUT THAT NEW DIRECTION, AND SHARE WITH YOU THE GOALS AND HOPES THAT WE IN CANADA HAVE SET FOR OURSELVES.

IT IS MY FUNDAMENTAL BELIEF THAT THE CHALLENGE TO OUR TWO COUNTRIES IS TO IMPROVE AND STRENGTHEN THE MUTUAL BENEFITS FROM OUR ROLES AS FRIENDS AND PARTNERS.

TO THIS END WE MUST MINIMIZE FRICTION, REMOVE NEEDLESS IRRITANTS, AND MAINTAIN A HEALTHY AND VIGOROUS RELATIONSHIP BASED ON MUTUAL UNDERSTANDING, CONSTANT AND OPEN COMMUNICATIONS, AND A RESPECT FOR OUR INDIVIDUAL NEEDS AND INTERESTS.

IN 1983 THERE WAS A NATIONAL CONVENTION OF MY PARTY, AT WHICH I SOUGHT AND WON THE PARTY LEADERSHIP.

DURING THE CAMPAIGN THAT PRECEDED THE CONVENTION, AND IN MY SPEECH TO THE CONVENTION, I PLEDGED TO RE-ESTABLISH THAT SPECIAL RELATIONSHIP OF TRUST WITH THE U.S. AND WITH ALL OUR ALLIES.

THREE MONTHS AGO, THERE WAS A GENERAL ELECTION, IN WHICH I REPEATEDLY STATED MY INTENTION AS HEAD OF A NEW GOVERNMENT TO RESTORE HARMONY AND CO-OPERATION WITH THE U.S.

LAST MONTH, WHEN PARLIAMENT RECONVENED, THE SPEECH FROM THE THRONE UNDERLINED NOT ONLY THE IMPORTANCE OF THIS RELATIONSHIP TO CANADA'S SECURITY AND PROSPERITY; IT POINTED OUT THAT THE SOURCE OF OUR RELATIONSHIP LIES IN SHARED VALUES AND WELLSPRINGS OF TRUST BETWEEN TWO PEOPLES:

IN THE MINDS OF SOME CANADIANS, SUCH STATEMENTS ARE TANTAMOUNT TO SERVILITY.

SIMPLE ACTS OF FRIENDSHIP ARE RIDICULED BECAUSE THEY ARE INSTANTLY EQUATED WITH A LOSS OF SOVEREIGNTY.

BY AND LARGE, CANADIANS ARE UNIMPRESSED AND UNMOVED BY THESE REACTIONS.

THE STATEMENTS THAT THE NEW GOVERNMENT HAVE MADE WERE OVERWHELMINGLY ENDORSED BY THE PEOPLE OF CANADA WHO, WITH MATURITY AND STRENGTH, HAVE MADE IT KNOWN THEY WISH THE CANADIAN-U.S. RELATIONSHIP TO BE A PRIVILEGED ONE, AS BEFITS TRUE FRIENDS AND TRUSTED ALLIES.

OUR PURPOSE IS NOBLE, OUR COURSE IS CLEAR: TWO SOVEREIGN DEMOCRACIES, SHARING THE SAME CONTINENT, HAVE MUCH THAT WILL BENEFIT EACH OTHER AND EVEN MORE THAT WILL ENHANCE THE CAUSE OF A DURABLE PEACE IN THE WORLD.

BECAUSE OF YOUR ENORMOUS SIZE AND INFLUENCE, THE GOVERNMENT OF CANADA MUST ALWAYS BE VIGILANT TO ENSURE THE PROTECTION OF OUR INTEGRITY AND INTERESTS.

THIS GOVERNMENT SHALL ENHANCE CANADA'S SOVEREIGNTY AND INDEPENDENCE AT ALL TIMES AND IN ALL CIRCUMSTANCES.

WE SHALL DO SO WITH STRENGTH AND RESOLVE -- IN A MANNER FREE FROM MALICE -- IN THE CERTAIN KNOWLEDGE THAT A STRONGER CANADA CAN CONTRIBUTE TO A MORE EQUITABLE WORLD.

I HAVE HAD TWO EXCELLENT MEETINGS WITH PRESIDENT REAGAN, WHO HAS SHOWN A GREAT WARMTH FOR CANADA AND A DEEP UNDERSTANDING OF OUR PROBLEMS.

HE HAS QUITE PROPERLY POINTED OUT THE ENORMOUS BENEFITS THAT ACCRUE TO BOTH SIDES FROM A SOUND ASSOCIATION AND HAS COMMITTED HIS ADMINISTRATION TO RESOLVING MANY OF THOSE MATTERS THAT TROUBLE US BOTH.

MANY U.S. CITIZENS ARE AWARE OF THE SIMILARITIES BETWEEN OUR TWO COUNTRIES: A COMMON HERITAGE OF INDIVIDUAL LIBERTY, SHARED DEMOCRATIC VALUES OF FREEDOM AND JUSTICE, VAST COMMERCIAL LINKS, AN IMMENSE GEOGRAPHY SPANNING A CONTINENT WITH AN OPEN AND UNDEFENDED BORDER.

TODAY THE MOST NOTEWORTHY MEASURE OF OUR RELATIONSHIP IS IN OUR ECONOMIC TIES - IN INVESTMENT, IN TRADE, IN TECHNOLOGY FLOWS.

AFTER ALL, ALMOST ONE FIFTH OF YOUR EXPORTS GO TO CANADA.

CANADA IS THE LARGEST TRADING PARTNER OF THE UNITED STATES.

THE UNITED STATES IS THE LARGEST MARKET FOR CANADIAN GOODS, SERVICES, AND INVESTMENT.

IN 1983 TOTAL TRADE BETWEEN CANADA AND THE U.S. EXCEEDED \$90 BILLION U.S. DOLLARS.



THAT AMOUNT EXCEEDS MORE THAN \$27 BILLION U.S. TRADE WITH JAPAN.

IN 1984, CANADA-U.S. TRADE IS LIKELY TO EXCEED \$110 BILLION U.S. DOLLARS.

IN FACT, YOUR TRADE WITH CANADA EXCEEDS TOTAL AMERICAN TRADE WITH GERMANY, FRANCE, AND GREAT BRITAIN BY ALMOST U.S. \$34 BILLION IN 1983.

TO PUT THE MATTER IN A DIFFERENT CONTEXT, CANADA IS THE LEADING TRADING PARTNER OF THE U.S., AND YOUR SECOND LARGEST TRADING PARTNER IS NOT GERMANY OR JAPAN BUT ONTARIO, A PROVINCE OF CANADA.

THE RESTORATION OF GOOD AND SOUND RELATIONSHIPS BETWEEN OUR TWO COUNTRIES IS CLEARLY A TOP PRIORITY.

THIS RELATIONSHIP, SPANNING 170 YEARS OF UNINTERRUPTED PEACE, BILLIONS IN TWO WAY TRADE AND INVESTMENT, AND RECIPROCAL AGREEMENTS COVERING A MULTITUDE OF SUBJECTS, IS INCONTROVERTIBLE EVIDENCE TO THE WORLD OF A VIBRANT AND MUTUALLY PRODUCTIVE RELATIONSHIP.

TO ALL WHO SEEK A DEFINITION OF PEACEFUL ASSOCIATION BETWEEN NATIONS -- I SAY LOOK NO FURTHER -- IT IS UNLIKELY YOU SHALL FIND A BETTER ILLUSTRATION THAN THE SIMPLE STORY OF FRIENDSHIP AND PROSPERITY THAT HAS MARKED THE VOLUTION OF OUR TWO COUNTRIES OVER THE YEARS.

SO HOW DO WE MANAGE OUR BILATERAL AFFAIRS?

I HAVE SUGGESTED SEVERAL INITIATIVES, BOTH TO PRESIDENT REAGAN AND TO HIS CABINET COLLEAGUES.

THE MOST IMPORTANT OF THESE IS THE YEARLY MEETINGS WITH THE PRESIDENT OF THE UNITED STATES AND THE PRIME MINISTER OF CANADA -- A PROCESS ALREADY BEGUN. FOR MY PART, I VISITED PRESIDENT REAGAN IN WASHINGTON VERY SHORTLY AFTER MY ELECTION AS PRIME MINISTER. I AM PLEASED TO ANNOUNCE TONIGHT THAT PRESIDENT REAGAN HAS ACCEPTED MY INVITATION TO MAKE A WORKING VISIT TO CANADA IN MARCH 1985.

SECOND, REGULAR MEETINGS OF SENIOR MINISTERS TO BE HELD ALTERNATELY IN THE U.S. AND CANADA.

THIRD, WE FAVOUR AN ACCELERATED RHYTHM OF BILATERAL PARLIAMENTARY AND CONGRESSIONAL MEETINGS IN ORDER TO COVER A WIDER RANGE OF TOPICS OF INTEREST TO OUR TWO COUNTRIES, FROM STEEL IMPORTS TO ACID RAIN.

FOURTH, OUR PROVINCIAL GOVERNMENTS CAN AND SHOULD MEET MORE FREQUENTLY WITH THEIR GEOGRAPHICAL COUNTERPARTS IN THE STATE GOVERNMENTS.

IN ADDITION THERE HAVE BEEN VARIOUS PROPOSALS FOR NEW AND IMPROVED INSTITUTIONAL MECHANISMS FOR INVESTIGATION, ANALYSIS AND RESOLUTION OF BILATERAL DISPUTES, POSSIBLY MODELED ON THE INTERNATIONAL JOINT COMMISSION.

THESE ARE WORTHY OF STUDY.

THIS DOES NOT SUGGEST AN EXCLUSIVE OR NARROW FOCUS IN OUR INVOLVEMENT IN WORLD AFFAIRS.

INDEED, IN TRADE LIBERALIZATION AS IN DEFENSE, 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.

THERE HAVE BEEN CHANGES IN CANADA OVER THE LAST DECADE.

CANADIANS HAVE COME THROUGH A DIFFICULT PERIOD IN THEIR HISTORY.

CANADIANS IN THE MID-1980'S HAVE A RENEWED SENSE OF CONFIDENCE IN THEMSELVES AS A NATION.

PEOPLE ACROSS THE COUNTRY ARE PERSUADED THAT THE FUTURE LIES IN WORKING TOGETHER.

THEY USED THE POWER OF THE VOTE TO EXPRESS A STRONG DESIRE FOR AN END TO CONFRONTATIONAL POLITICS IN OUR DEALINGS WITH EACH OTHER IN CANADA.

THEY VOTED FOR A START ON A NEW ERA OF CONCILIATION AND CO-OPERATION.

CANADIANS WANTED THE OFFSHORE IMPASSE IN NEWFOUNDLAND REGARDING OIL AND GAS RESOLVED. IT IS BEING RESOLVED NOW.

CANADIANS WANTED THE WEST TO HAVE A FULL VOICE IN CONFEDERATION. THEY NOW HAVE IT.

LAST THURSDAY, I HAD A SIGNIFICANT MEETING WITH PREMIER LEVESQUE IN QUEBEC CITY. THE PEOPLE OF QUEBEC OVERWHELMINGLY SUPPORTED OUR PROGRAM OF NATIONAL RECONCILIATION AND ECONOMIC RENEWAL IN LAST SEPTEMBER'S ELECTION. LET ME TELL YOU THERE IS A NEW MOOD THERE. THE PEOPLE OF QUEBEC ARE SEEKING TO ENSURE THAT THEY NOW ASSUME A FULL AND UNEQUIVOCAL ROLE IN THE AFFAIRS OF CANADA.

I WANT TO TELL YOU SOMETHING ABOUT THE FINANCIAL STATE OF CANADA AS WE FOUND IT FOLLOWING OUR ELECTION ON SEPTEMBER 4<sup>th</sup>.

WE FOUND THAT THE PROJECTED FEDERAL DEFICIT FOR THE CURRENT FISCAL YEAR WAS \$34.5 BILLION.

AND WE FOUND THAT, EVEN ASSUMING REASONABLE GROWTH PROJECTIONS, THE YEARLY DEFICIT WOULD REMAIN BETWEEN \$34 BILLION AND \$38 BILLION BETWEEN NOW AND THE END OF THE DECADE, ADDING TO AN ALREADY STAGGERING NATIONAL DEBT LOAD.

LET ME PUT THIS IN OTHER TERMS.

IN 1967, WHEN OUR COUNTRY CELEBRATED ITS ONE HUNDREDTH BIRTHDAY, OUR NATIONAL DEBT REPRESENTED \$4,000 FOR EVERY CANADIAN FAMILY.

SEVENTEEN YEARS LATER, THE NATIONAL DEBT REPRESENTS \$24,000 PER FAMILY.

AND BY 1990 -- ONLY FIVE YEARS HENCE -- IF WE DO NOT TAKE ACTION NOW, THE NATIONAL DEBT WILL BE THE EQUIVALENT OF EVERY CANADIAN FAMILY OWING \$54,000.

AND WE INHERITED ALSO AN ECONOMY THAT HAD RELEGATED TO THE UNEMPLOYMENT ROLLS CLOSE TO A MILLION AND A HALF CANADIANS.

THERE IS NO HUMAN TRAGEDY MORE DEBILITATING THAN THAT OF A PERSON UNABLE TO FIND GAINFUL EMPLOYMENT.

MY GOVERNMENT CONSIDERS THE CREATION OF JOBS AS ITS TOP PRIORITY. IT IS FOR US A MORAL IMPERATIVE.

I NEED NOT DWELL AT LENGTH ON THE POLICIES THAT CREATED THIS SITUATION IN CANADA.

SIMPLY PUT, AT A TIME WHEN THE WORLD ECONOMY WAS BECOMING MORE INTERDEPENDENT AND OPEN, CANADA TURNED INWARD AND INTERVENTIONIST.

IN 1974 WE STARTED DOWN THIS COSTLY PATH WITH THE FOREIGN INVESTMENT REVIEW AGENCY, AND IN 1981, WE CONTINUED THIS APPROACH WITH THE NATIONAL ENERGY PROGRAM.

SUCH A DIRECTION IGNORED THE BASIC LESSON OF OUR HISTORY, NAMELY THAT FREE AND UNFETTERED ACCESS TO WORLD MARKETS HAS BEEN A BOON TO STRONG AND DYNAMIC ECONOMIC GROWTH IN OUR COUNTRY.

IT WAS INDICATIVE OF THE MISGUIDED BELIEF THAT REGULATION BY POLITICIANS AND BUREAUCRATS WAS SUPERIOR TO THE DECISIONS OF INDIVIDUALS AND FIRMS COMPETING IN THE GLOBAL MARKETPLACE.

AT THE SAME TIME THAT CANADA WAS TURNING INWARD ECONOMICALLY, WE WERE ALSO GIVING OTHER SIGNALS THAT LED OUR FRIENDS AND ALLIES TO QUESTION OUR COMMITMENT TO THE INTERNATIONAL AGENDA.

OUR SUPPORT FOR THE NATO ALLIANCE DROPPED TO AN EMBARRASSINGLY LOW LEVEL, TO THE POINT THAT ONLY TINY LUXEMBOURG WAS CONTRIBUTING LESS ON A PER CAPITA BASIS THAN CANADA.

WE WOUND UP WITH MORE COOKS THAN GUNNERS IN THE CANADIAN ARMED FORCES.

SO THESE ARE THE MAIN REASONS THAT MY NEW GOVERNMENT IS SO COMMITTED TO REBUILDING CANADA'S IMAGE IN THE WORLD:

- AS A FREE, TOLERANT AND INDEPENDENT NATION;
- AS A RELIABLE TRADING PARTNER;
- AS A GOOD PLACE TO INVEST AND DO BUSINESS;
- AS A PEOPLE COMMITTED TO THE ENTREPRENEURIAL SPIRIT;
- AND AS A NATION THAT HONOURS ITS COMMITMENTS TO ITS ALLIÉS.

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.

GROWTH ITSELF WILL NOT SOLVE THE STRUCTURAL IMBALANCE BETWEEN GOVERNMENT REVENUES AND EXPENDITURES.

RESTORING FISCAL FLEXIBILITY WILL REQUIRE DIFFICULT DECISIONS.

AND WE HAVE BEGUN THAT PROCESS.

AFTER ONLY TWO MONTHS IN OFFICE WE WERE ABLE TO ANNOUNCE EXPENDITURE SAVINGS AND REVENUE ENHANCEMENT MEASURES OF OVER \$4 BILLION ON AN ANNUAL \$100 BILLION BUDGET.

THIS IS A BEGINNING.

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.

FROM RAILWAY BUILDING TO TELEVISION BROADCASTING TO HYDRO DEVELOPMENT, GOVERNMENT INVOLVEMENT HAS BEEN A HISTORICAL NECESSITY IN CANADA, AND IT HAS BEEN ON THE WHOLE A POSITIVE FACTOR IN OUR NATIONAL LIFE.

TODAY'S REALITY, HOWEVER, IS THAT GOVERNMENT IN CANADA HAS BECOME MUCH TOO BIG.

IT INTRUDES TOO MUCH IN THE MARKETPLACE.

IT INHIBITS AND DISTORTS ENTREPRENEURIAL ACTIVITY.

SOME INDUSTRIES ARE OVER-REGULATED, OTHERS ARE OVER-PROTECTED.

IN THE PAST, GOVERNMENT HAS BUILT UP AN INTRICATE WEB OF REGULATIONS, SUBSIDIES AND OTHER FORMS OF INTERVENTION, WHICH HAVE BECOME A MAJOR OBSTACLE TO ADJUSTMENT AND GROWTH IN THE PRIVATE SECTOR.

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.

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.

NATIONAL CONSENSUS IS ESSENTIAL TO ECONOMIC RENEWAL.

OUR NEW NATIONAL GOVERNMENT CAN AND WILL ACHIEVE THAT CONSENSUS WITH THE PROVINCES, LABOUR, THE PRIVATE SECTOR AND OTHERS WHOSE EFFORTS ENERGIZE OUR SOCIETY.

LET ME TOUCH NOW ON THREE AREAS IN OUR STRATEGY FOR ECONOMIC RENEWAL WHICH IMPACT DIRECTLY ON OUR RELATIONS WITH THE U.S. - 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.

WE INTEND TO TAKE A CAREFUL LOOK AT ALL FEDERAL GOVERNMENT PROGRAMS AND POLICIES TO DETERMINE HOW INDUSTRY CAN GAIN AND SECURE ACCESS TO MARKETS.

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.

THE IMPLICATIONS FOR THE LATTER ARE EVEN MORE PROFOUND, AND COULD HAVE SERIOUS RAMIFICATIONS FOR INTERNATIONAL FINANCIAL MARKETS.

I KNOW THAT THE PRESIDENT IS COMMITTED TO KEEPING TRADE CHANNELS OPEN.

I SHARE THAT COMMITMENT.

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.

WE WILL WORK THROUGH MULTILATERAL ORGANIZATIONS TO KEEP THE WORLD TRADING SYSTEM OPEN.

PROTECTIONISM POSES A SERIOUS THREAT TO WORLD RECOVERY AND TO INTERNATIONAL STABILITY.

IT MUST BE OPPOSED, IN YOUR CONGRESS AND IN OUR PARLIAMENT.

THE GOVERNMENT HAS GIVEN NOTICE OF ITS INTENTION TO ADDRESS THESE ISSUES, AND THEIR IMPLICATIONS FOR CANADA, IN DOCUMENTS TO BE MADE PUBLIC OVER THE COMING MONTHS.

CANADIANS HAVE SOME IMPORTANT, EVEN HISTORIC, POLICY CHOICES TO MAKE IN THE NEAR FUTURE, AND THESE CHOICES WILL BE THE SUBJECT MATTER OF PUBLIC DISCUSSION LED BY THE GOVERNMENT.

THE MATURITY AND SELF CONFIDENCE OF OUR COUNTRY MAKE IT POSSIBLE FOR US NOW TO CONFRONT ISSUES IN A REALISTIC MANNER, AND TO EXAMINE OPTIONS THAT A FEW YEARS AGO PRODUCED EMOTIONAL REFLEXES THAT MADE RATIONAL DISCUSSION DIFFICULT.

NOWHERE IS THIS MORE TRUE THAN ON THE SUBJECT OF OUR BILATERAL RELATIONS WITH THE UNITED STATES.

THE U.S. HAS BEEN AND WILL BE THE DOMINANT MARKET FOR OUR EXPORTS.

BY 1987 SOME 80 PERCENT OF CANADIAN EXPORTS TO THE



YET THERE REMAIN SOME SIGNIFICANT TARIFF BARRIERS AND A GROWING ARRAY OF NON-TARIFF MEASURES WHICH IMPEDE BILATERAL TRADE INCLUDING U.S. BUY AMERICAN PROVISIONS.

PROPOSALS FOR ATTACKING THESE BARRIERS HAVE INCLUDED SECTORAL FREE TRADE ARRANGEMENTS, A VARIETY OF PRIVATE SECTOR RECOMMENDATIONS FOR TRADE ENHANCEMENT AND SECURE MARKET ACCESS.

I EXCLUDE NONE OF THESE FROM CONSIDERATION.

OUR DESIRE TO EXAMINE ALL APPROACHES FOR CLOSER ECONOMIC COOPERATION WITH OUR MAJOR PARTNER STEMS FROM A PRUDENT AND PRAGMATIC JUDGEMENT ABOUT HOW AND WHERE INTERESTS VITAL TO CANADA'S ECONOMIC DEVELOPMENT CAN BEST BE SERVED.

WE SEEK TRADING ARRANGEMENTS WHICH PROVIDE FAIR BUT ALSO SECURE ACCESS TO THE U.S. MARKET, UNFETTERED BY INITIATIVES AIMED AT PROBLEMS CAUSED BY OTHER COUNTRIES BUT INADVERTENTLY HURTING CANADIAN COMPANIES.

OUR STATUS AS A NORTH AMERICAN NATION IS A SOURCE OF STRENGTH.

WE ARE MATURE ENOUGH AS A NATION AND CONFIDENT ENOUGH IN OURSELVES TO RECOGNIZE THIS REALITY AND TO TAKE PRIDE IN AN AMICABLE RELATIONSHIP WITH A NEIGHBOUR AS POWERFUL AS THE UNITED STATES.

THE MESSAGE TO PROSPECTIVE FOREIGN INVESTORS IN CANADA IS THE SAME MESSAGE WE SEND TO OUR TRADING PARTNERS: A WORLD ECONOMY MORE OPEN AND INTERDEPENDENT IS IN CANADA'S INTEREST AND EVERY NATION'S INTEREST.

WE WANT AN ENVIRONMENT CONDUCTIVE 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.

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.

THE GOVERNMENT OF CANADA IS THERE TO ASSIST -- AND NOT HARASS -- THE PRIVATE SECTOR IN CREATING THE NEW WEALTH AND NEW JOBS THAT CANADA NEEDS.

YOU HAVE THE ASSURANCE OF THE GOVERNMENT THAT INVESTMENT CANADA WILL BE ADMINISTERED IN A FAIR AND OBJECTIVE WAY.

I WOULD LIKE TO SAY A FEW WORDS ABOUT THE DIRECTIONS WE WILL BE TAKING IN THE ENERGY SECTOR.

MANY AMERICANS ARE UNAWARE OF THE IMPORTANCE OF CANADA'S ENERGY SECTOR TO YOUR ECONOMY.

CANADA IS THE LARGEST EXPORTER OF ENERGY TO THE U.S.

WE SUPPLY VIRTUALLY 100 PERCENT OF YOUR NATURAL GAS AND ELECTRICITY IMPORTS.

WE ARE YOUR LARGEST SUPPLIER OF URANIUM. WE ARE YOUR SECOND LARGEST SOURCE OF OIL, AT A RATE OF 580,000 BARRELS A DAY, AHEAD OF ANY OPEC COUNTRY.

A HEALTHY ENERGY SECTOR IS ESSENTIAL TO ECONOMIC RENEWAL.

ENERGY INVESTMENT ACCOUNTS FOR 30 PER CENT OF TOTAL BUSINESS INVESTMENT IN CANADA.

THE SPIN-OFFS TO THE REST OF THE ECONOMY FROM A HEALTHY AND EXPANDING ENERGY SECTOR ARE ENORMOUS.

AS MANY OF YOU ARE AWARE THE GOALS OF THE NATIONAL ENERGY PROGRAM ARE COMMENDABLE: ITS METHODS AND ITS RESULTS CLEARLY ARE NOT.

SIMPLY PUT, THE NEP HAS FAILED TO MEET ITS THREE STATED OBJECTIVES OF FAIRNESS, SECURITY OF SUPPLY, AND CANADIANIZATION.

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.

CANADA WAS NOT BUILT BY EXPROPRIATING RETROACTIVELY OTHER PEOPLE'S PROPERTY.

THIS PRACTICE IS ODIOUS AND SHALL NOT BE FOLLOWED BY THE NEW GOVERNMENT OF CANADA.

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.

THESE SHALL NOT BE CHANGED AFTER THE GAME HAS STARTED TO THE DETRIMENT OF ANY OF THE PLAYERS.

CANADA IS CONFRONTED WITH SERIOUS PROBLEMS AND  
BRILLIANT PROSPECTS.

CANADA SURPASSES ALMOST ALL OTHERS IN THE RESOURCES  
WITH WHICH NATURE HAS ENDOWED US.

OUR RICHES ARE NOT OURS TO DISSIPATE AND MISMANAGE.  
THEY ARE, IN A SENSE, A TRUST; AND THEY PLACE A SPECIAL  
OBLIGATION ON THOSE WHO ARE CHOSEN TO GOVERN OUR NATION.

WE MUST STRIVE TO ACHIEVE A STANDARD OF LIVING THAT IS  
SECOND TO NONE IN THE WORLD. AND WE MUST SHARE THAT PROSPERITY  
WITH OTHERS WHO NEED OUR ASSISTANCE.

WE OWE IT TO OUR CITIZENS TO ENSURE OPPORTUNITY,  
FAIRNESS AND JUSTICE FOR ALL. AND WE MUST ATTEMPT TO SEE THESE  
PRINCIPLES RESPECTED ELSEWHERE IN THE WORLD.

WE OWE IT TO OUR FRIENDS AND ALLIES TO CARRY CANADA'S  
FAIR SHARE IN PROVIDING FOR OUR COLLECTIVE SAFETY AND SECURITY.

IN SHORT, CANADIANS HAVE AN OBLIGATION TO HELP MAKE THE  
WORLD A BETTER AND SAFER PLACE.

NOT LEAST, WE OWE IT TO OURSELVES TO HONOR EXCELLENCE  
AND PURSUE IT RELENTLESSLY. CANADA MUST STAND FOR THE BEST IN  
ALL FIELDS OF HUMAN ENDEAVOUR.

AND WE MUST BE UNCOMPROMISING IN THE PURSUIT OF VALUES  
THAT ARE THE MORAL FOUNDATION OF ALL GREAT NATIONS.

THAT IS MY DREAM FOR MY COUNTRY: A CANADA FAIR AND  
GENEROUS, TOLERANT AND JUST.

I INVITE YOU TO JOIN WITH ME IN MAKING IT A REALITY.

NOTES FOR AN ADDRESS BY THE HONOURABLE SINCLAIR STEVENS,  
MINISTER OF REGIONAL INDUSTRIAL EXPANSION AND  
MINISTER RESPONSIBLE FOR THE ADMINISTRATION OF THE FOREIGN  
INVESTMENT REVIEW ACT, TO THE STANDING COMMITTEE  
ON REGIONAL ECONOMIC DEVELOPMENT CONCERNING THE INVESTMENT CANADA BILL,  
FEBRUARY 5, 1985

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MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. I AM PLEASED TO BE HERE TO DISCUSS BILL C-15. DURING THE RECENT DEBATE IN THE HOUSE ON THE INVESTMENT CANADA BILL, MORE THAN ONE MEMBER STRESSED THE HISTORICAL SIGNIFICANCE OF BILL C-15. NOW, EACH MEMBER WHO MADE THAT POINT HAD HIS OR HER OWN REASONS FOR SAYING SO. I WOULD LIKE TO TAKE JUST A FEW MOMENTS TO EXPLAIN MY OWN GENERAL PERSPECTIVE ON THE BILL BEFORE DISCUSSING THE SPECIFICS.

MR. CHAIRMAN, THROUGHOUT ITS HISTORY, THIS COUNTRY HAS OVERCOME IMMENSE CHALLENGES. WHERE GEOGRAPHY SEPARATED OUR SETTLEMENTS, WE BOUND THEM TOGETHER BY CANALS, RAILS, ROADS AND VARIOUS MEANS OF COMMUNICATION. WHEN OUR UNIQUE CLIMATE AND GEOGRAPHY THREATENED TO KEEP OUR SETTLEMENTS ISOLATED, THE

GENIUS OF OUR PEOPLE INNOVATED NEW MEANS OF TRANSPORTATION, NEW MEANS OF COMMUNICATION.

OUR RELATIVELY SMALL MARKET, WHICH HAS CONSISTENTLY CHALLENGED OUR CAPACITY TO EXPAND OUR INDUSTRY AND ECONOMY, FORCED US TO BECOME ONE OF THE WORLD'S GREATEST TRADING NATIONS.

AND, MR. CHAIRMAN, WE HAVE THROUGHOUT OUR HISTORY USED NON-CANADIAN CAPITAL TO SUPPLEMENT OUR SAVINGS TO ESTABLISH OUR TRANSPORTATION AND COMMUNICATIONS INFRASTRUCTURE, TO DEVELOP OUR VAST WEALTH IN NATURAL RESOURCES AND TO EXPAND AND DIVERSIFY OUR INDUSTRY. THE REASON WHY WE WERE ABLE TO DO SO IS THAT CANADIANS SAW NON-CANADIAN CAPITAL AS AN OPPORTUNITY, NOT AS A THREAT.

ONE OF THE LESSONS OUR ECONOMIC HISTORY HAS TAUGHT US IS THAT CANADA HAS PROSPERED MOST WHEN THE COUNTRY HAS BEEN OPEN TO TRADE AND INVESTMENT WITH THE REST OF THE WORLD. THE PERIODS OF GREATEST PROTECTIONISM IN THIS COUNTRY HAVE COINCIDED WITH PERIODS OF STAGNATION AND RECESSION.

RECENT HISTORY HAS CONFIRMED THE LESSONS OF THE PAST. CONSIDER FOR A MOMENT, MR. CHAIRMAN, THE ATTITUDE MANIFESTED IN THE LANGUAGE OF THE FOREIGN INVESTMENT REVIEW ACT. ALLOW ME TO QUOTE BRIEFLY FROM THE STATED PURPOSE OF THE ACT:

"THIS ACT IS ENACTED BY PARLIAMENT ... IN RECOGNITION ... THAT THE EXTENT TO WHICH CONTROL OF CANADIAN INDUSTRY, TRADE AND COMMERCE HAS BECOME ACQUIRED BY PERSONS OTHER THAN CANADIANS AND THE EFFECT THEREOF ON THE ABILITY OF CANADIANS TO MAINTAIN EFFECTIVE CONTROL OVER THEIR ECONOMIC ENVIRONMENT IS A MATTER OF NATIONAL CONCERN ..."

THE KEY WORD IS CONCERN. IT WAS A CONCERNED STATE OF MIND THAT WAS RESPONSIBLE FOR THE FOREIGN INVESTMENT REVIEW ACT. THAT BETRAYS A SENSE OF INSECURITY, A SENSE OF BEING THREATENED. IT ALSO BETRAYS A LACK OF FAITH IN THE CAPACITY OF CANADIANS TO FACE COMPETITION, TO MEET INTERNATIONAL CHALLENGES AND TO EXERCISE THEIR OWN GOOD JUDGMENT IN THEIR BUSINESS VENTURES.

WELL, THIS GOVERNMENT HAS GREAT FAITH IN CANADIANS. WE BELIEVE THAT IT IS TIME FOR GOVERNMENT TO STOP INTERFERING WITH ENTERPRISING CANADIANS WHO IN THE PAST HAVE HAD TO CONTEND WITH A VAST WEB OF RULES, REGULATIONS AND LAWS.



THE INVESTMENT CANADA BILL IS ONLY THE FIRST OF MANY STEPS WE INTEND TO TAKE TO LIFT THE BURDEN OF GOVERNMENT INTERFERENCE OFF THE SHOULDERS OF ENTERPRISING CANADIANS. SINCE TABLING THE BILL LAST DECEMBER, WE HAVE NEVER PRETENDED THAT BILL C-15 ANSWERS ALL THE ECONOMIC NEEDS OF THIS COUNTRY. CLEARLY, THE WIDE RANGE OF PROBLEMS WE INHERITED FROM THE PREVIOUS ADMINISTRATION CANNOT BE RESOLVED IN ONE LEGISLATIVE STROKE OF THE PEN. MY COLLEAGUES IN FINANCE, ENERGY, TRANSPORTATION, AGRICULTURE, EMPLOYMENT AND SO ON ALL HAVE A LONG LIST OF PROBLEMS WHICH WILL REQUIRE LEGISLATIVE AND OTHER INITIATIVES. THIS BILL IS DESIGNED TO HELP ADDRESS A VERY SPECIFIC ISSUE: THE INVESTMENT CLIMATE OF THIS COUNTRY.

MR. CHAIRMAN, BEFORE I TURN TO THE SPECIFIC PROVISIONS OF THE BILL, I WOULD LIKE TO ADDRESS A NUMBER OF THE ISSUES RAISED BY SPEAKERS ON THE OPPOSITION BENCHES DURING THE DEBATE ON SECOND READING. I MUST SAY THAT I AM STRUCK BY THE CONTRADICTIONS IN THE POSITIONS TAKEN BY OPPOSITION MEMBERS ON THIS BILL. ON THE ONE HAND WE HAVE BEEN TOLD THAT THE CHANGES WE ARE PROPOSING IN BILL C-15 WILL LEAD TO A LOSS OF SOVEREIGNTY AND INDEPENDENCE. THAT WE ARE PROPOSING TO SELL OUT THE COUNTRY TO FOREIGN INVESTORS, YET ON THE OTHER HAND THE CHANGES ARE CRITICIZED AS BEING PURELY COSMETIC. WE HAVE BEEN TOLD THAT BILL C-15 WILL NOT LEAD TO AN INCREASED FLOW OF FOREIGN INVESTMENT FUNDS AT THE SAME TIME WE ARE TOLD THAT WE ARE OPENING THE DOORS TO THE TAKEOVER OF CANADIAN BUSINESSES. OUR LIBERAL FRIENDS TAKE CREDIT FOR

ATTRACTING FOREIGN INVESTMENT IN THE PAST FEW YEARS, BUT CRITICIZE US FOR TELLING THE WORLD THAT CANADA WELCOMES FOREIGN INVESTMENT. WE HAVE BEEN TOLD THAT WE HAVE NO FAITH IN CANADIAN ENTREPRENEURS, BUT AT THE SAME TIME BILL C-15 HAS BEEN CRITICIZED BECAUSE IT DOES NOT PROTECT SMALL BUSINESSES.

MR. CHAIRMAN, WE DO INDEED HAVE FAITH IN CANADIAN ENTREPRENEURS. I HOPE THIS COMMITTEE WILL HAVE AN OPPORTUNITY TO HEAR FROM THE SMALL BUSINESS COMMUNITY IN CANADA. THE MESSAGE WE HAVE BEEN GETTING FROM SMALL BUSINESSES ACROSS CANADA IS THAT THEY ARE NOT LOOKING TO THE GOVERNMENT FOR PROTECTION FROM LARGER BUSINESSES - CANADIAN OR NON-CANADIAN. THEY ARE SEEKING PROTECTION FROM BIG GOVERNMENT. IT HAS BEEN SUGGESTED THAT THE BILL WILL CREATE AN "OPEN SEASON FOR SMALL BUSINESS", THAT THE BILL OPENS THE DOORS TO THE TAKEOVER OF SMALL BUSINESSES. MR. CHAIRMAN, SMALL BUSINESSES IN CANADA ARE QUITE CAPABLE OF DECIDING FOR THEMSELVES WHETHER OR NOT THEY WANT TO SELL.

A NUMBER OF MEMBERS IN THE SECOND READING DEBATE HAVE RECITED THE FAMILIAR COMPLAINTS ABOUT MULTINATIONAL ENTERPRISES - THE CONVENTIONAL WISDOM OF THE 1950'S AND 1960'S - THAT THESE ENTERPRISES DO NOT DO ENOUGH RESEARCH AND DEVELOPMENT IN CANADA; THAT THEY DON'T EXPORT FROM CANADA; THAT THEY IMPORT MORE THAN CANADIAN-BASED COMPANIES. MR. CHAIRMAN, THIS STEREOTYPE OF THE MULTINATIONAL ENTERPRISE IS NOT ONLY MISLEADING, IT IS AN INSULT TO MANY THOUSANDS OF BUSINESSES ACROSS THIS COUNTRY. OF COURSE THERE ARE FOREIGN-CONTROLLED FIRMS HERE WHOSE PRIMARY PURPOSE IS TO SERVE THE CANADIAN MARKET, BUT THERE ARE MANY OTHERS THAT ARE SELLING TO COUNTRIES THROUGHOUT THE

WORLD FROM THEIR CANADIAN PLANTS. OF COURSE THERE ARE FIRMS THAT RELY ON THEIR FOREIGN PARENTS FOR TECHNOLOGY, BUT THERE ARE MANY OTHERS THAT ARE DEVELOPING NEW PRODUCTS IN THEIR CANADIAN LABORATORIES. OF COURSE THERE ARE SOME FIRMS THAT RELY HEAVILY ON IMPORTED PARTS AND COMPONENTS, BUT THERE ARE MANY OTHERS THAT OBTAIN ALL OR MOST OF THEIR REQUIREMENTS FROM CANADIAN SUPPLIERS. I THINK THE TIME HAS COME TO PUT THE STEREOTYPES BEHIND US, TO SHIFT OUR FOCUS FROM THE ALLEGED COSTS OF FOREIGN INVESTMENT AND FOCUS INSTEAD ON THE BENEFITS WE CAN DERIVE BY ENCOURAGING NON-CANADIANS TO HELP US BUILD A DYNAMIC, INTERNATIONALLY COMPETITIVE ECONOMY THAT WILL PUT CANADIANS BACK TO WORK. THAT IS THE PHILOSOPHY BEHIND BILL C-15.

THE PURPOSE OF THE BILL IS STATED IN A STRAIGHTFORWARD WAY IN SECTION 2:

"RECOGNIZING THAT INCREASED CAPITAL AND TECHNOLOGY WOULD BENEFIT CANADA, THE PURPOSE OF THIS ACT IS TO ENCOURAGE INVESTMENT IN CANADA BY CANADIANS AND NON-CANADIANS THAT CONTRIBUTES TO ECONOMIC GROWTH AND EMPLOYMENT OPPORTUNITIES AND TO PROVIDE FOR THE REVIEW OF SIGNIFICANT INVESTMENTS IN CANADA BY NON-CANADIANS IN ORDER TO ENSURE SUCH BENEFIT TO CANADA."

BILL C-15 STATES POSITIVE GOALS AND PROPOSES POSITIVE MEANS TO ACHIEVE THOSE GOALS. MR. CHAIRMAN, I WOULD NOW LIKE TO DISCUSS THE KEY FEATURES OF THE INVESTMENT CANADA BILL AND, WHERE APPROPRIATE, TO COMPARE IT TO THE FOREIGN INVESTMENT REVIEW ACT.

AS I ALLUDED TO EARLIER, THE INVESTMENT CANADA BILL IS BASED ON THE PRESUMPTION THAT INCREASED TECHNOLOGY AND CAPITAL WOULD BENEFIT CANADA AND THAT, CONSEQUENTLY, INVESTMENT BY CANADIANS AND NON-CANADIANS WHICH HAS SUCH AN EFFECT SHOULD BE ENCOURAGED AND FACILITATED. WE BELIEVE THAT INVESTMENT IS AN IMPORTANT COMPONENT OF ANY STRATEGY TO PROMOTE ECONOMIC GROWTH AND TO CREATE PERMANENT JOBS FOR CANADIANS. IN PARTICULAR, WE BELIEVE THAT IN TODAY'S INTERNATIONAL ECONOMIC CONTEXT AND, INDEED, FOR THE FORESEEABLE FUTURE, INTERNATIONAL PARTNERSHIPS AND INVESTMENTS, WHERE CANADIANS AND NON-CANADIANS WORK TOGETHER IN CANADA AND ABROAD, CAN BE VERY BENEFICIAL TO CANADA.

MR. CHAIRMAN, I WANT TO ELABORATE BRIEFLY ON THIS POINT. I BELIEVE THAT WE IN THIS COUNTRY MUST UNDERSTAND THAT THE INTERNATIONAL ECONOMY AND THE MAJOR PLAYERS IN THAT ECONOMY HAVE EVOLVED CONSIDERABLY. NO INDUSTRIALIZED COUNTRY TODAY, NO MATTER HOW ADVANCED IT IS OR HOW LARGE ITS MARKET IS, CAN CLAIM TO BE TOTALLY AUTONOMOUS OR INDEPENDENT FROM THE REST OF THE WORLD. AND, INCREASINGLY, EVEN THE LARGEST MULTINATIONAL FIRMS ARE PARTICIPATING IN COOPERATIVE VENTURES WITH OTHER FIRMS IN ORDER TO SHARE RESEARCH AND DEVELOPMENT COSTS. THE POINT IS, MR. CHAIRMAN, THAT THE WORLD IS BECOMING INCREASINGLY INTERDEPENDENT ON BOTH MACROECONOMIC AND MICROECONOMIC LEVELS. THE ISSUE FACING NATIONAL POLICY-MAKERS IN THE 1980S IS NOT HOW TO SECURE INDEPENDENCE, BUT RATHER HOW TO GAIN THE GREATEST NATIONAL BENEFIT FROM GLOBAL INTERDEPENDENCE. THE INVESTMENT CANADA BILL, IN ITS TONE AND SUBSTANCE,

IS A REFLECTION OF NEW GLOBAL REALITIES. THAT IS ALSO WHY IT REFERS TO THE BENEFITS OF INCREASED TECHNOLOGY AND CAPITAL. THAT IS WHY IT PROVIDES FOR THE ENCOURAGEMENT AND FACILITATION OF INVESTMENT IN CANADA.

SECTION 5 OF THE BILL OUTLINES POSITIVE MEASURES WHICH IT WILL BE THE DUTY OF THE MINISTER TO CARRY OUT IN ORDER TO ENCOURAGE AND FACILITATE INVESTMENT. FOR EXAMPLE, IN SUBSECTION 5(1) IT STATES THAT THE MINISTER SHALL "ENCOURAGE BUSINESS INVESTMENT ...", "ASSIST CANADIAN BUSINESSES TO EXPLOIT OPPORTUNITIES FOR INVESTMENT AND TECHNOLOGICAL ADVANCEMENT", "CARRY OUT RESEARCH AND ANALYSIS RELATING TO DOMESTIC AND INTERNATIONAL INVESTMENT", "PROVIDE INVESTMENT INFORMATION SERVICES AND OTHER INVESTMENT SERVICES TO FACILITATE ECONOMIC GROWTH", AND "ASSIST IN THE DEVELOPMENT OF INDUSTRIAL AND ECONOMIC POLICIES THAT AFFECT INVESTMENT IN CANADA."

IN ADDITION, SUBSECTION 5(2) SPECIFIES THAT, IN CARRYING OUT THOSE POSITIVE DUTIES, THE MINISTER SHALL "... MAKE USE OF THE SERVICES AND FACILITIES OF OTHER DEPARTMENTS, BRANCHES OR AGENCIES OF THE GOVERNMENT OF CANADA", "... WITH THE APPROVAL OF THE GOVERNOR IN COUNCIL, ENTER INTO AGREEMENTS WITH THE GOVERNMENT OF ANY PROVINCE .. FOR THE PURPOSES OF THIS ACT", AND "... CONSULT WITH, AND ORGANIZE CONFERENCES OF, REPRESENTATIVES OF INDUSTRY AND LABOUR, PROVINCIAL AND LOCAL AUTHORITIES AND OTHER INTERESTED PERSONS."

MR. CHAIRMAN, THIS POSITIVE MANDATE IS THE HEART OF THE INVESTMENT CANADA BILL. SINCE WE WERE ELECTED ON SEPTEMBER 4, WE HAVE EMPHASIZED THE IMPORTANCE OF CONSULTATION AND COLLABORATION IN A COUNTRY AS LARGE AND DIVERSIFIED AS CANADA. WE FEEL IT IS A WISE APPROACH, ESPECIALLY IN A MATTER SUCH AS INVESTMENT WHERE IT IS SO IMPORTANT THAT EVERYBODY WORK TOWARD THE SAME GOALS. A VAST NETWORK OF CONTACTS AND RESOURCES IS AVAILABLE TO THE GOVERNMENT OF CANADA IN BOTH THE PUBLIC AND PRIVATE SECTORS TO ENCOURAGE AND FACILITATE THE KIND OF INVESTMENT BY CANADIANS AND NON-CANADIANS THAT WILL TRANSFORM INVESTMENT OPPORTUNITIES INTO JOBS, NEW TECHNOLOGIES AND REAL ECONOMIC GROWTH. AND, THESE POSITIVE GOALS CAN ONLY BE ACHIEVED BY MEANS OF POSITIVE MEASURES.

GIVEN THE EMPHASIS I AM PLACING ON THE POSITIVE MANDATE, SOME MAY ASK WHY A GREATER PART OF THIS BILL WAS NOT DEVOTED TO POSITIVE MEASURES. THE REASON IS QUITE SIMPLE: THE KINDS OF INITIATIVES IMPLIED IN SECTION 5 OF THE BILL WILL HAVE TO BE DECIDED IN CONSULTATION WITH OTHER DEPARTMENTS OF THE GOVERNMENT OF CANADA, THE PROVINCES AND THE PRIVATE SECTOR BECAUSE EVERYONE WILL HAVE A ROLE TO PLAY. IN ADDITION IT WOULD BE INAPPROPRIATE AND FOOLISH TO LOCK OURSELVES INTO A DETAILED PROGRAM OF MEASURES IN THE ACT. SUCH INITIATIVES REQUIRE FLEXIBILITY SO THAT THEY CAN BE ADJUSTED TO CHANGING ECONOMIC CIRCUMSTANCES AND CONDITIONS.

THERE ARE OTHER PROVISIONS IN THE ACT THAT ARE VERY POSITIVE. FOR EXAMPLE, BILL C-15 PROVIDES FOR EXEMPTIONS FROM REVIEW OF INVESTMENTS FOR

THE ESTABLISHMENT OF NEW BUSINESSES, FOR THE ACQUISITION OF CANADIAN ENTERPRISES WITH ASSETS OF LESS THAN \$5 MILLION, AND FOR THE INDIRECT ACQUISITION OF CANADIAN BUSINESSES WITH ASSETS OF LESS THAN \$50 MILLION. THE BILL ALSO PROVIDES FOR EXEMPTION NOT ONLY FROM REVIEW BUT ALSO FROM NOTIFICATION OF CERTAIN OTHER TRANSACTIONS BY NON-CANADIANS. THE BILL EXEMPTS FROM NOTIFICATION AND REVIEW CERTAIN TEMPORARY OR INVOLUNTARY ACQUISITIONS OF CONTROL OF CANADIAN BUSINESSES: FOR EXAMPLE BY SECURITY DEALERS OR TRADERS OR VENTURE CAPITALISTS IN THE NORMAL COURSE OF THEIR BUSINESS; ACQUISITIONS RESULTING FROM THE REALIZATION ON SECURITY GRANTED FOR A LOAN OR TO FACILITATE THE FINANCING OF A CANADIAN BUSINESS; AND ACQUISITIONS BY INHERITANCE.

BILL C-15 ALSO EXEMPTS FROM NOTIFICATION AND REVIEW THE FOLLOWING KINDS OF TRANSACTION:

- THE ACQUISITION OF CONTROL OF A CANADIAN BUSINESS BY REASON OF AN AMALGAMATION, MERGER, CONSOLIDATION OR CORPORATE REORGANIZATION WHERE THE ULTIMATE CONTROL OF THE BUSINESS REMAINS UNCHANGED;
- THE ACQUISITION OF CONTROL OF A BUSINESS OF A CROWN CORPORATION OR OF A PROVINCIAL OR MUNICIPAL CORPORATION;
- INVESTMENTS REGULATED UNDER THE BANK ACT;
- CERTAIN REAL ESTATE INVESTMENTS; AND

- INVESTMENTS BY LIFE INSURANCE COMPANIES FOR THE BENEFIT OF THEIR CANADIAN POLICYHOLDERS.

A NUMBER OF THESE EXEMPTIONS ARE CARRIED OVER FROM THE EXISTING FOREIGN INVESTMENT REVIEW ACT. OTHERS REFLECT EXPERIENCE WITH THE ADMINISTRATION OF THAT ACT AND RESPOND TO REPRESENTATIONS RECEIVED CONCERNING UNINTENDED EFFECTS OF THAT ACT.

FOR INVESTMENTS BY NON-CANADIANS TO WHICH THE PROPOSED ACT WILL APPLY THE BILL ESTABLISHES TWO REQUIREMENTS - NOTIFICATION FOR CERTAIN INVESTMENTS AND REVIEW FOR OTHER INVESTMENTS. AS YOU KNOW, MR. CHAIRMAN, UNDER THE PRESENT ACT ALL INVESTMENTS ARE SUBJECT TO REVIEW. UNDER THIS BILL THE NOTIFICATION REQUIREMENT WILL APPLY TO ALL INVESTMENTS BY NON-CANADIANS TO ESTABLISH NEW BUSINESSES AND TO ALL ACQUISITIONS BY NON-CANADIANS OF CANADIAN BUSINESSES WITH ASSETS BELOW THE REVIEW THRESHOLDS. THE NOTIFICATION REQUIREMENT WILL BE SIMPLE AND STRAIGHTFORWARD. IT WILL ENABLE THE GOVERNMENT TO MONITOR THE EXTENT OF NON-CANADIAN INVESTMENT IN CANADA WITHOUT THE RED TAPE AND REGULATORY BURDEN OF THE EXISTING LAW. INVESTORS WILL BE REQUIRED TO FILE A NOTIFICATION OF THEIR INVESTMENT WITHIN 30 DAYS OF MAKING THE INVESTMENT. WE ESTIMATE THAT THE NOTIFICATION PROVISION WILL APPLY TO ABOUT 90 PERCENT OF THE INVESTMENTS NOW SUBJECT TO THE REVIEW REQUIREMENTS OF THE EXISTING ACT.



THE BILL PROVIDES FOR THE REVIEW OF DIRECT ACQUISITIONS OF CANADIAN BUSINESSES WITH ASSETS WORTH \$5 MILLION OR MORE AND OF INDIRECT ACQUISITIONS OF CANADIAN BUSINESSES WITH ASSETS OF \$50 MILLION OR MORE. IN ADDITION, INDIRECT ACQUISITIONS OF \$5 MILLION OR MORE WILL BE SUBJECT TO REVIEW IF THE ASSETS OF THE CANADIAN BUSINESS REPRESENT MORE THAN 50 PERCENT OF THE TOTAL VALUE OF THE INTERNATIONAL TRANSACTION. FINALLY, THE BILL PROVIDES THE GOVERNMENT THE AUTHORITY TO REVIEW ACQUISITIONS BELOW THE THRESHOLDS AND INVESTMENTS BY NON-CANADIANS TO ESTABLISH NEW BUSINESSES IN CULTURALLY SENSITIVE SECTORS.

I BELIEVE THIS LAST POINT WARRANTS SOME ELABORATION. THE TERM "CULTURALLY SENSITIVE INDUSTRIES" REFERS TO ECONOMIC ACTIVITIES RELATED TO CANADA'S CULTURAL HERITAGE AND NATIONAL IDENTITY. WE ALL KNOW THAT MANY BUSINESSES INVOLVED IN CULTURAL ACTIVITIES HAVE AN IMPORTANCE THAT GOES WELL BEYOND BALANCE SHEET CONSIDERATIONS OR THE DOLLAR VALUE OF THEIR ASSETS. WHEN THE BILL WAS BEING DRAFTED, WE FELT THAT FIRMS IN ECONOMIC ACTIVITIES SUCH AS PUBLISHING AND FILM PRODUCTION AND DISTRIBUTION DESERVED SPECIAL CONSIDERATION. THAT IS WHY WE ADDED THIS RESERVE POWER IN SECTION 15 FOR THE GOVERNMENT TO REVIEW INVESTMENTS IN SUCH ACTIVITIES AND, IT ALSO EXPLAINS WHY WE ADDED A REFERENCE TO CULTURAL POLICIES IN THE FIFTH FACTOR TO BE USED FOR THE ASSESSMENT OF INVESTMENT PROPOSALS. I LOOK FORWARD TO SUGGESTIONS FROM THE COMMITTEE AND FROM OTHER SOURCES CONCERNING SPECIFIC INDUSTRIES OR ECONOMIC ACTIVITIES WHICH SHOULD BE CONSIDERED AS "CULTURALLY SENSITIVE". THE PRINCIPAL CRITERION FOR SELECTION OF THESE INDUSTRIES SHOULD BE THAT THEY ARE GENUINELY RELATED TO CANADA'S CULTURAL HERITAGE OR NATIONAL IDENTITY.

I SHOULD ADD, MR. CHAIRMAN, THAT WE FEEL IT IMPORTANT TO DEFINE PRECISELY THE TYPE OF BUSINESS ACTIVITY IN QUESTION AND THUS TO CONFINE THE USE OF THE RESERVE POWER. IN DOING SO, INVESTORS IN OTHER SECTORS WILL BE ASSURED THAT THEIR NOTIFIED INVESTMENT WILL NOT BE SUBJECT TO REVIEW. FURTHERMORE, THE TYPES OF INVESTMENT THAT WILL BE IDENTIFIED IN THE REGULATIONS WILL ONLY BE REVIEWED IF THE MINISTER CONSIDERS IT IN THE PUBLIC INTEREST TO DO SO AND IF THE GOVERNOR IN COUNCIL ISSUES AN ORDER TO THAT EFFECT WITHIN 21 DAYS OF THE DATE WHEN A COMPLETED NOTIFICATION OF THE INVESTMENT WAS FILED.

I SHOULD NOW LIKE TO DISCUSS THE REVIEW PROCEDURE PRESCRIBED BY THE INVESTMENT CANADA BILL. IN THE CASE OF REVIEWABLE INVESTMENTS, AN APPLICATION IS TO BE FILED WITH INVESTMENT CANADA PRIOR TO THE INVESTMENT TAKING PLACE OR, IN THE CASE OF INDIRECT ACQUISITIONS, WITHIN 30 DAYS OF THE INVESTMENT TAKING PLACE. INVESTMENT CANADA WILL SUBMIT THE APPLICATION TO THE MINISTER, TOGETHER WITH OTHER INFORMATION OR WRITTEN UNDERTAKINGS GIVEN BY THE INVESTOR AND ANY REPRESENTATIONS BY A PROVINCE LIKELY TO BE SIGNIFICANTLY AFFECTED BY THE INVESTMENT. THE MINISTER WILL THEN ASSESS THE PROPOSAL TO DETERMINE WHETHER OR NOT IT IS LIKELY TO BE OF NET BENEFIT TO CANADA BY REFERENCE TO THE INFORMATION PROVIDED AND THE FACTORS OF ASSESSMENT.

BEFORE OUTLINING THE FACTORS OF ASSESSMENT, I WOULD LIKE TO SAY A FEW WORDS ABOUT THE PHRASE "NET BENEFIT TO CANADA". HOW, SOME WILL ASK, DOES "NET BENEFIT TO CANADA" DIFFER FROM THE PHRASE "SIGNIFICANT BENEFIT TO CANADA"

WHICH IS USED IN THE FOREIGN INVESTMENT REVIEW ACT? AND, WHY DID THE GOVERNMENT DECIDE TO REPLACE "SIGNIFICANT BENEFIT" BY "NET BENEFIT"?

MR. CHAIRMAN, THE REASON IS THAT SIGNIFICANT BENEFIT TO CANADA IS A MISLEADING PHRASE. AS THE BILL NOW STANDS AND IN SPITE OF THE EXEMPTIONS CONTAINED IN IT, MANY INVESTMENTS THAT WILL BE SUBJECT TO REVIEW ARE STILL RELATIVELY SMALL. NOW, A FEW OF THE REVIEWABLE \$5-MILLION INVESTMENTS MAY HAVE A FARREACHING IMPACT ON THE ECONOMY, BUT MOST WILL NOT. WHEN YOU TELL SMALL BUSINESS ENTREPRENEURS FROM HOLLAND OR THE U.K. OR THE UNITED STATES THAT THEY MUST SHOW SIGNIFICANT BENEFIT TO CANADA, IT MUST SEEM LIKE A FORMIDABLE TASK. IF YOU TELL THEM THAT THEIR PROPOSAL MUST BE OF NET BENEFIT, THEY ARE LESS LIKELY TO BE INTIMIDATED. IN FACT, I AM CONFIDENT THAT THEY WILL FIND THE CONCEPT OF A FOREIGN INVESTMENT HAVING TO BE, ON BALANCE, OF BENEFIT TO CANADA PERFECTLY UNDERSTANDABLE AND ACCEPTABLE.

THE FACTORS OF ASSESSMENT, ON WHICH THE MINISTER'S DECISION TO ALLOW OR DISALLOW AN INVESTMENT MUST BE BASED, ARE SIMILAR TO THOSE SPECIFIED IN THE FOREIGN INVESTMENT REVIEW ACT, WITH TWO EXCEPTIONS. AS I SAID EARLIER, A CULTURAL POLICY COMPONENT HAS BEEN ADDED TO THE FIFTH FACTOR, SO THAT IT NOW READS:

"THE COMPATIBILITY OF THE INVESTMENT WITH NATIONAL INDUSTRIAL, ECONOMIC AND CULTURAL POLICIES, TAKING INTO CONSIDERATION INDUSTRIAL, ECONOMIC AND CULTURAL POLICY OBJECTIVES ENUNCIATED BY THE GOVERNMENT OR LEGISLATURE OF ANY PROVINCE LIKELY TO BE SIGNIFICANTLY AFFECTED BY THE INVESTMENT."

THE ADDITION OF THE CULTURAL POLICY COMPONENT SHOWS OUR APPRECIATION OF THE SPECIAL CONSIDERATION WHICH MUST BE GIVEN TO CULTURAL INDUSTRIES.

THE SECOND DIFFERENCE BETWEEN THE FACTORS OF ASSESSMENT IN THE CURRENT LEGISLATION AND IN BILL C-15 IS THE ADDITION OF A SIXTH FACTOR, AS FOLLOWS:

"THE CONTRIBUTION OF THE INVESTMENT TO CANADA'S ABILITY TO COMPETE IN WORLD MARKETS."

AS I SAID EARLIER, WE ARE FACING A DIFFERENT INTERNATIONAL ECONOMY, ONE IN WHICH THE COMPETITION IS INTENSE. WE VIEW IT AS VITAL THAT CANADIAN BUSINESSES HAVE THE TOOLS REQUIRED FOR FACING INTERNATIONAL COMPETITION NOT ONLY IN WORLD MARKETS, BUT ALSO IN THE DOMESTIC MARKET.

UNDER THIS BILL IT IS THE MINISTER WHO WILL DECIDE WHETHER OR NOT TO ALLOW REVIEWED INVESTMENTS. UNDER THE FIR ACT THESE DECISIONS ARE MADE BY THE GOVERNOR IN COUNCIL. A NUMBER OF MEMBERS HAVE COMMENTED ON THIS FEATURE OF THE BILL DURING THE SECOND READING DEBATE. CONCERN HAS BEEN EXPRESSED THAT THIS CHANGE PUTS TOO MUCH POWER IN THE HANDS OF A SINGLE MINISTER AND THAT REGIONAL CONSIDERATIONS WILL NOT BE GIVEN ADEQUATE ATTENTION IF THE DECISION IS MADE BY A SINGLE MINISTER. MR. CHAIRMAN, THOSE CONCERNS ARE UNFOUNDED. MINISTERS IN THIS GOVERNMENT DO NOT OPERATE IN ISOLATION FROM ONE ANOTHER.

WE DO NOT NEED AN ACT OF PARLIAMENT TO DEFINE WHEN ONE MINISTER SHOULD CONSULT WITH ANOTHER MINISTER OR WITH ALL HIS CABINET COLLEAGUES IN CARRYING OUT HIS OR HER RESPONSIBILITIES. THERE WILL OF COURSE BE OCCASIONS WHEN THE MINISTER RESPONSIBLE FOR THE ADMINISTRATION OF INVESTMENT CANADA WILL WANT TO CONSULT WITH ONE OR MORE OTHER MINISTERS BEFORE TAKING A DECISION ON AN INVESTMENT SUBJECT TO REVIEW AND, THERE WILL UNDOUBTEDLY BE OCCASIONS WHEN THE MINISTER WILL WANT TO OBTAIN THE VIEWS OF THE FULL CABINET. THE NEED FOR CONSULTATION WILL OBVIOUSLY VARY FROM CASE TO CASE. WHAT WE ARE TRYING TO AVOID WITH THIS CHANGE IS AN ADMINISTRATIVE STRAIGHTJACKET THAT WOULD REQUIRE A COLLECTIVE DECISION ON ALL CASES, AND THE EXTRA TIME AND COST THAT THAT ENTAILS. UNDER THIS BILL AN IDENTIFIED MINISTER WILL BE RESPONSIBLE AND ACCOUNTABLE FOR DECISIONS UNDER THE ACT. INVESTORS WILL KNOW WHO THEY ARE DEALING WITH AND THE CANADIAN PUBLIC WILL KNOW WHO IS MAKING THE DECISIONS.

I WOULD NOW LIKE TO DESCRIBE THE TIME LIMITS ESTABLISHED FOR THE REVIEW PROCESS UNDER THE INVESTMENT CANADA BILL. WITHIN 45 DAYS AFTER A COMPLETE APPLICATION HAS BEEN RECEIVED, THE MINISTER MUST NOTIFY THE INVESTOR THAT A) - HE IS SATISFIED THAT THE INVESTMENT IS LIKELY TO BE OF NET BENEFIT TO CANADA, OR B) HE IS UNABLE TO COMPLETE HIS REVIEW, IN WHICH CASE HE WILL HAVE 30 MORE DAYS TO COMPLETE HIS REVIEW, UNLESS THE APPLICANT AGREES TO A LONGER PERIOD, OR C) HE IS NOT SATISFIED THAT THE INVESTMENT IS LIKELY TO BE OF NET BENEFIT TO CANADA. IF 45 DAYS HAVE ELAPSED FROM THE COMPLETION DATE WITHOUT

SUCH A NOTICE, OR IF THE SUPPLEMENTARY 30 DAYS OR THE NUMBER OF DAYS AGREED HAVE ELAPSED AFTER THE NOTICE, AND THE MINISTER HAS NOT RENDERED HIS DECISION, HE IS THEN DEEMED TO BE SATISFIED THAT THE INVESTMENT IS LIKELY TO BE OF NET BENEFIT TO CANADA.

THIS PROVISION, AS OUTLINED IN SUBSECTION 22(3), IS VERY IMPORTANT, ESPECIALLY IN LIGHT OF THE DELAY PROBLEMS EXPERIENCED IN THE ADMINISTRATION OF THE CURRENT LEGISLATION. IN ITS VARIOUS PROVISIONS, THE FOREIGN INVESTMENT REVIEW ACT MAKES IT POSSIBLE FOR THE GOVERNMENT TO KEEP AN INVESTMENT PROPOSAL UNDER REVIEW AS LONG AS IT WISHES BEYOND THE OFFICIAL 60-DAY PERIOD SPECIFIED FOR A DECISION UNDER THE ACT. ONE OF THE MOST FREQUENT AND BITTER COMPLAINTS MADE ABOUT THE ADMINISTRATION OF THE FOREIGN INVESTMENT REVIEW ACT HAS BEEN DELAYS. UNDER THE INVESTMENT CANADA BILL INVESTORS WILL HAVE THE ASSURANCE, SPECIFIED IN SUBSECTION 22(3), THAT THE REVIEW OF THEIR INVESTMENT PROPOSAL CANNOT LAST MORE THAN 75 DAYS UNLESS THEY AGREE TO A FURTHER EXTENSION OF TIME. THEY ARE NO LONGER AT THE MERCY OF THE GOVERNMENT. THE OBLIGATION TO RESOLVE A CASE HAS BEEN SHIFTED TO THE GOVERNMENT.

SECTION 23 OF THE BILL PROVIDES FOR THE APPLICANT'S RIGHT TO MAKE FURTHER REPRESENTATIONS AND TO SUBMIT UNDERTAKINGS WHEN THE MINISTER HAS NOTIFIED HIM THAT HE IS NOT SATISFIED THAT THE INVESTMENT IS LIKELY TO BE OF NET BENEFIT TO CANADA. THE APPLICANT HAS 30 DAYS TO DO SO AFTER HE HAS RECEIVED NOTICE FROM THE MINISTER TO THAT EFFECT. AT THE END OF THE 30-DAY PERIOD THE MINISTER MUST QUICKLY NOTIFY THE APPLICANT EITHER THAT A) HE IS

NOW SATISFIED THAT THE INVESTMENT IS LIKELY TO BE OF NET BENEFIT OR THAT B) HE IS CONFIRMING THAT HE IS NOT SATISFIED THAT IT WILL BE OF NET BENEFIT. IF THE LATTER IS THE CASE, THE APPLICANT MAY NOT PROCEED WITH THE INVESTMENT OR, IF HE HAS MADE THE INVESTMENT, HE MUST RELINQUISH CONTROL OF THE CANADIAN BUSINESS.

MR. CHAIRMAN, I WILL NOW BRIEFLY DESCRIBE THE RULES FOR DETERMINING THE STATUS OF CORPORATIONS OR OTHER ENTITIES AS TO WHETHER OR NOT THEY ARE CONSIDERED TO BE CANADIAN. IN THE FOLLOWING DESCRIPTION A CANADIAN OR NON-CANADIAN INCLUDES ONLY INDIVIDUALS, GOVERNMENTS OR THEIR AGENCIES, OR CORPORATIONS.

AN ENTITY IS CONSIDERED TO BE CANADIAN-CONTROLLED IN THE FOLLOWING CASES:

- 1) IF ONE CANADIAN, OR TWO OR MORE MEMBERS OF A VOTING GROUP WHO ARE CANADIANS OWN A MAJORITY OF THE VOTING INTERESTS OF AN ENTITY, THE ENTITY IS CANADIAN-CONTROLLED;
- 2) IF CANADIANS OWN A MAJORITY OF THE VOTING INTERESTS OF AN ENTITY, IT IS A CANADIAN-CONTROLLED ENTITY IF IT CAN BE ESTABLISHED THAT IT IS NOT IN FACT CONTROLLED BY A NON-CANADIAN OR BY A MAJORITY NON-CANADIAN VOTING GROUP;

- 3) IN THE CASE OF A CORPORATION INCORPORATED IN CANADA WHOSE VOTING SHARES ARE PUBLICLY TRADED IN THE OPEN MARKET, IF AT LEAST 2/3 OF THE VOTING SHARES ARE OWNED BY INDIVIDUAL CANADIANS, CANADIAN CORPORATIONS THAT ARE WHOLLY-OWNED, DIRECTLY OR INDIRECTLY, BY INDIVIDUAL CANADIANS OR A COMBINATION OF THOSE INDIVIDUALS AND CORPORATIONS, THE CORPORATION IS DEEMED TO BE CANADIAN-CONTROLLED, IRRESPECTIVE OF DE FACTO CONTROL.
  
- 4) THOUGH AN ENTITY WILL BE PRESUMED NOT TO BE CANADIAN-CONTROLLED WHEN LESS THAN A MAJORITY OF ITS VOTING INTERESTS ARE OWNED BY CANADIANS, IT CAN BE CONSIDERED CANADIAN-CONTROLLED IF IT CAN BE ESTABLISHED THAT A) THE ENTITY IS IN FACT CONTROLLED BY CANADIANS THROUGH THE OWNERSHIP OF VOTING INTERESTS BY A CANADIAN OR BY A MAJORITY-CANADIAN VOTING GROUP; OR B) THE ENTITY IS NOT IN FACT CONTROLLED BY ANY SHAREHOLDER OR VOTING GROUP AND 2/3 OF THE MEMBERS OF THE BOARD OF DIRECTORS OF A CORPORATION OR, IN THE CASE OF A LIMITED PARTNERSHIP, 2/3 OF THE GENERAL PARTNERS ARE CANADIANS.

AN ENTITY IS NOT CONSIDERED TO BE CANADIAN-CONTROLLED IN THE FOLLOWING CASES:

- 1) IF ONE NON-CANADIAN OR TWO OR MORE NON-CANADIAN MEMBERS OF A VOTING GROUP OWN A MAJORITY OF THE VOTING INTERESTS OF AN ENTITY;  
AND



- 2) IF TWO PERSONS, ONE OF WHOM IS NON-CANADIAN, OWN EQUALLY ALL OF THE VOTING SHARES OF A CORPORATION.

NOW, WHEN THESE RULES ARE READ, AS I HAVE JUST DONE, THEY CAN SEEM TO BE RATHER TECHNICAL AND COMPLEX. BUT, MR. CHAIRMAN, PEOPLE WHO ARE FAMILIAR WITH THE CURRENT LEGISLATION WILL REALIZE THAT THE STATUS RULES OUTLINED IN SECTION 26 OF THIS BILL ARE A DEFINITE IMPROVEMENT OVER WHAT NOW EXISTS. I SAY THIS BECAUSE THEY ARE SIMPLER, THEY TAKE INTO ACCOUNT THE EXTENT OF CANADIAN OWNERSHIP, AND THEY USE MORE BALANCED PRESUMPTIONS. IN ADDITION, MR. CHAIRMAN, THEY ARE STRUCTURED IN SUCH A WAY AS TO ENCOURAGE NON-CANADIAN CONTROLLED ENTERPRISES, WHOSE INVESTMENTS MIGHT BE SUBJECT TO REVIEW, TO TAKE STEPS TO INCREASE OWNERSHIP AND PARTICIPATION BY CANADIANS SO THAT THEY CAN BE FOUND TO BE CANADIAN-CONTROLLED UNDER THE TERMS AND PROVISIONS OF THE ACT AND THUS NOT SUBJECT TO NOTIFICATION OR REVIEW REQUIREMENTS UNDER THE ACT. IN OTHER WORDS, WE HAVE BUILT IN A REAL INCENTIVE FOR NON-CANADIAN ENTERPRISES TO CANADIANIZE THEMSELVES.

SECTION 37 OF THE BILL PROVIDES FOR THE MINISTER TO GIVE, UPON REQUEST, BINDING WRITTEN OPINIONS CONCERNING THE APPLICATION OF THE ACT OR REGULATIONS. THE MINISTER MAY DELEGATE TO INVESTMENT CANADA OR A DESIGNATED OFFICIAL THE AUTHORITY TO GIVE SUCH OPINIONS. SECTION 38 AUTHORIZES THE MINISTER TO ISSUE GUIDELINES AND INTERPRETATION NOTES CONCERNING THE APPLICATION AND ADMINISTRATION OF THE ACT OR THE REGULATIONS. THUS, THE

MINISTER HAS THE AUTHORITY REQUIRED TO ASSIST INVESTORS BY CLARIFYING HOW THE ACT MAY OR MAY NOT APPLY TO THEM AND BY ISSUING CLEAR GUIDELINES OR INTERPRETATION NOTES DESIGNED TO ANSWER QUESTIONS RELATING TO THE INTERPRETATION OF THE ACT.

IN ORDER TO ENSURE COMPLIANCE WITH THE ACT, SECTIONS 39 TO 43 OF THE BILL PROVIDE FOR CERTAIN PENALTIES. BUT CONTRARY TO THE CURRENT LEGISLATION, BILL C-15 PRESCRIBES CIVIL, AS OPPOSED TO CRIMINAL, PENALTIES FOR NON-COMPLIANCE. THERE IS ONLY ONE EXCEPTION: THERE IS A CRIMINAL PENALTY FOR BREACH OF CONFIDENTIALITY OR PROVISION OF FALSE INFORMATION.

FINALLY, MR. CHAIRMAN, SECTION 44 REQUIRES THE MINISTER TO PREPARE EACH YEAR A REPORT TO PARLIAMENT ON OPERATIONS UNDER THE ACT WITHIN SIX MONTHS OF THE END OF THE FISCAL YEAR.

MR. CHAIRMAN, THE ORGANIZATIONAL STRUCTURE OF THE PROPOSED NEW AGENCY, INVESTMENT CANADA, IS STILL UNDER CONSIDERATION. CLEARLY, WE WILL REQUIRE ADMINISTRATIVE UNITS DEVOTED TO THE FUNCTIONS WHICH HAVE BEEN RETAINED FROM THE CURRENT LEGISLATION SUCH AS THE RECEIPT AND VERIFICATION OF NOTIFICATIONS AND INVESTMENT APPLICATIONS, LEGAL COUNSELLING SERVICES CONCERNING THE INTERPRETATION AND APPLICATION OF THE ACT, MONITORING OF INVESTMENTS REVIEWED UNDER THE ACT, RESEARCH AND ANALYSIS RELATED TO THE ADMINISTRATION OF THE ACT AS WELL AS TO POLICY AND A VARIETY OF INVESTMENT MATTERS, AND INFORMATION SERVICES DESIGNED TO ENSURE THAT OUR POLICY AND LEGISLATION IS UNDERSTOOD AND KNOWN ABROAD AND THAT CANADIANS ARE INFORMED OF OPERATIONS UNDER THE ACT.

BUT, MR. CHAIRMAN, THE STRUCTURE OF INVESTMENT CANADA WILL ALSO HAVE TO BE TAILORED TO THE POSITIVE MANDATE OUTLINED UNDER THE ACT. IN ADDITION TO ITS GENERAL MANDATE OF ASSISTING AND ADVISING THE MINISTER RESPONSIBLE FOR THE ACT, INVESTMENT CANADA WILL BE MANDATED TO ENCOURAGE AND FACILITATE INVESTMENT; TO PROVIDE INVESTMENT INFORMATION SERVICES AS WELL AS OTHER INVESTMENT SERVICES; TO ADVISE ON OPPORTUNITIES FOR INVESTMENT; TO IDENTIFY CONTACTS IN CANADA AND ABROAD; AND TO CONSULT AND COLLABORATE WITH OTHER DEPARTMENTS OF THE GOVERNMENT OF CANADA, THE GOVERNMENTS OF THE PROVINCES AND THE PRIVATE SECTOR IN CANADA AND ABROAD. THE ORGANIZATIONAL IMPLICATIONS OF THESE FUNCTIONS WILL REQUIRE MORE STUDY. THOUGH WE CAN EXPECT THAT THE AGENCY WILL GO THROUGH A TRANSITIONAL PERIOD, WE ARE CONFIDENT THAT THE TRANSITION CAN BE MADE SMOOTHLY WITHIN A REASONABLE AMOUNT OF TIME. OUR CONFIDENCE IS BASED ON OUR KNOWLEDGE OF AND EXPERIENCE WITH THE PEOPLE WHO NOW WORK IN THE FOREIGN INVESTMENT REVIEW AGENCY.

MR. CHAIRMAN, I HAVE ATTEMPTED TODAY TO OUTLINE THE KEY FEATURES OF THE INVESTMENT CANADA BILL, ITS PURPOSE AND THE PHILOSOPHY BEHIND IT. I ASK MEMBERS OF THE COMMITTEE TO KEEP IN MIND THAT IT IS A BILL DESIGNED TO ADDRESS ONE ISSUE: INVESTMENT IN CANADA. WE ARE NOT TRYING TO PRESENT THIS BILL AS A CURE FOR ALL THE ECONOMIC ILLS OF THIS COUNTRY. THE GOVERNMENT IS MOVING ON A NUMBER OF FRONTS AND THIS IS JUST ONE OF THEM.

THE GOVERNMENT FEELS VERY STRONGLY THAT INVESTMENT BY CANADIANS AND NON-CANADIANS IS A VITAL COMPONENT OF OUR ECONOMIC STRATEGY TO REVITALIZE THE ECONOMY, TO CREATE REAL AND PERMANENT JOBS FOR CANADIANS, AND TO ENSURE THE TECHNOLOGICAL PROGRESS OF THIS COUNTRY.

UNDER BILL C-15 WE ARE INVITING CANADIANS TO JOIN US IN THIS GREAT NATIONAL EFFORT, NOT ONLY TO REGAIN LOST GROUND, BUT TO MAKE REAL PROGRESS. WE ARE ALSO INVITING NON-CANADIANS TO TAKE A NEW LOOK AT CANADA AND TO INVEST THEIR ENTERPRISING ENERGY, THEIR CAPITAL, THEIR INNOVATIVE IDEAS AND THEIR TECHNOLOGIES IN THIS COUNTRY BECAUSE WE BELIEVE THAT THEIR INVESTMENTS WILL BENEFIT US AS WELL AS THEM.

—THESE ARE POSITIVE GOALS AND, I LOOK FORWARD TO CONSTRUCTIVE SUGGESTIONS FROM MEMBERS OF THIS COMMITTEE THAT CAN IMPROVE THE MEASURES WE HAVE PROPOSED IN THIS BILL.

THANK YOU.

Department of Finance  
Canada

Ministère des Finances  
Canada

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# Release

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# Communiqué

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Release at 2000 hours EDT

Ottawa, June, 13, 1985

85-104

Notes for an address  
by the Honourable Michael H. Wilson  
Minister of Finance  
to the Canadian Society of New York  
New York  
June 13, 1985

CHECK AGAINST DELIVERY

It is a pleasure to be invited to speak to the Canadian Society of New York.

It is most appropriate to be speaking in the world's pre-eminent financial centre so soon after introducing a budget that faces the fundamental challenge of renewing Canada's capacity to compete in a tough economic world.

You live and work in an environment with a particularly valuable perspective on the challenges now being tackled in Canada. As Minister of Finance, I have worked hard to encourage Canadians to see the country's economic future in the same kind of global context that many of you take for granted in your daily lives.

It was no coincidence, therefore, that the first piece of legislation this government introduced last autumn was to create Investment Canada in place of the Foreign Investment Review Agency. Investment Canada came very high on the legislative order paper because we wanted there to be no doubt of the importance that Canada accords to investment from both domestic and foreign sources. Investment Canada will not only limit government intervention in the foreign investment area, it will actively facilitate investment in Canada. I am pleased to report that the legislation was approved by the House of Commons last week.

For too long Canada has been overly defensive about the role of foreign investment. We should not fear foreign investment. We should welcome foreign investment for the benefits it brings -- new technology, new processes, new management systems and above all new jobs.

Investment Canada marks an important milestone in turning Canada away from an officially inward-looking approach to a more confident, constructive and above all more open environment for investment and the creation of economic growth.

Clearly, the United States looms large in the foreground of any realistic economic perspective for Canada. American investors will continue to be well-positioned for new opportunities in Canada -- just as Canadian investors have contributed to the investment boom that has helped to power American economic growth. And with new investment comes new scope for expanding our already enormous trading relationship.

We are by far each other's largest trading partner. Canada-U.S. trade last year exceeded \$124 billion (U.S.), up by more than \$22 billion over the the previous year.

The United States is the largest market for Canadian goods, services and investment. Close to 80 per cent of our exports come to this country.

Almost one-fifth of American exports go to Canada -- and that's not bad when you remember the ten-to-one ratio in the relative size of our economies.

U.S. trade with Canada last year exceeded U.S.-Japan trade by more than \$37 billion. Your trade with Canada was also \$55 billion more than American trade with Germany, France and Great Britain combined.

Numerous as the links already are, we have only just begun to tap the potential for mutual benefit. That is why our governments have been exploring options for a more open trade relationship between our two countries in ways that are consistent with our efforts to liberalize the multilateral trading system.

When our government came to power with a strong outward-looking concept of Canada's economic destiny, the idea itself was hardly new for Canadians. For many years Canada built its economic success on the strength of raw material exports eagerly sought in markets around the world.

But what was new for Canadians was the hard reality that many of our resources had lost their advantage in traditional markets. Increasingly aggressive competition from third world countries began to be felt at the same time as stagnating world economic growth slowed the demand for natural resources. And this underlined Canada's reliance on a strong trade

What was also new for many Canadians was the realization of the high price of trying to insulate the national economy from external reality.

I am thinking in particular of the impact of suddenly higher world oil prices which the United States substantially absorbed while the Canadian government of the day continued to hold the line against reality.

There was a lot of brave talk about cushioning Canadians from unjustified increases in oil prices. And it was great while it lasted. But Canada did not escape the painful adjustments -- they were merely delayed and, in many respects, compounded.

The euphoria of Canada's seemingly charmed economic existence culminated in 1980 with the National Energy Program. The NEP is no more -- my budget brings forward the legislative elements of the energy agreements with Newfoundland and the western provinces -- agreements that effectively dismantled this intrusive, ineffective, counter-productive program.

But while it lasted, the falling dollar and higher interest rates caused by the NEP helped to sow even more deeply the seeds for the severe recession that overwhelmed Canada in 1982. The effects of that setback linger on long after the United States has recovered from its much milder recession and has gone on to new heights of economic growth.

Let me underline here that our actions to replace FIRA and dismantle the NEP demonstrate in a clear, strong way that we are serious about stimulating foreign investment. And I am pleased to report that we are receiving very significant, positive feedback on our overall attempts to develop a new spirit of productive harmony and mutual benefit between our two countries.

I believe that Canadians learned some important lessons from the experience of the past decade. I hope I am not being too partisan in suggesting that the most important one was expressed last September when our new government was elected with a huge majority.



Since that time there has been a dramatic change for the better in the national economy. More than 270,000 jobs have been created -- almost three times the number in the same period a year earlier. The employment increase in April and May was almost 160,000 jobs -- the largest two-month gain on record.

The signs of a continued upswing are also encouraging. A new survey of investment intentions of large corporations shows a planned increase of 13 per cent in capital spending this year -- up from a forecast of only 6 per cent last autumn.

That's what a healthy dose of increased economic confidence can do for a country -- confidence that at last some fundamental changes for the better would be brought forward.

Canadians and Americans alike have watched as the U.S. economy has outperformed us in recent years. Many are not aware that in recent months the Canadian economy has outperformed the U.S. economy on several key indicators. For example, Canada's economic output since the latter part of 1984 has been increasing at a rate more than double that of the United States. Employment in Canada has grown since September by 2.5 per cent compared, for example, with a gain of 1.5 per cent in the United States. And the unemployment rate has dropped by 1.1 percentage points. Nevertheless, our unemployment rate still stands at 10.5 per cent, close to three percentage points higher than in the United States.

Clearly, the job of restoring Canada's economic vitality has just begun. But the momentum is there and we intend to build on it in every way possible.

And I use the word "build" in the most constructive sense possible.

As I made clear in my budget, I am not talking about short-term policies which simply exaggerate the peaks of the economic cycles at the cost of more destabilizing downturns later on. I am talking about the kind of long-term fundamental changes that we were elected to implement. As we described it last November in a major document setting out the government's directions for change, the challenge is economic renewal.

In facing that challenge we start from a basic belief in what makes an economy a vital and growing organism: It is the dynamism that flows from individual initiative. This is the wellspring of a strong and successful private sector and a strong and successful economy.

In our view, getting an economy to work better for the collective good of people is fundamentally a matter of getting the conditions right for individuals, on their own and collectively as consumers, investors and business people, to behave in economically optimal ways. And that means recognizing the vital central role of private initiative and risk-taking as the driving force in generating the growth, employment opportunities and wealth needed to improve living standards.

This approach, when translated into actions, represents a major change in attitude in Canada. Our country has come to expect the national government to substitute its judgment in considerable detail for the judgments of people in the marketplace. We have come to see economic activity in Canada more and more regulated, subsidized and distorted. The result has been initiative and entrepreneurship frustrated and all too often defeated. And this in turn has helped to undermine confidence not only in government but in the capacity of the private sector to take the lead in creating the growth and jobs that Canadians so greatly need.

I know that our change of direction has the strong support of people from every region and every walk of life in Canada. The record since September gives me confidence that Canadians are responding well to this change in approach. But we have to recognize that developing a more grass roots entrepreneurial society could take some patient effort. Canadians, for example, appear to be about half as likely as Americans to invest directly in equity shares of companies. We don't expect to close that gap overnight. But we do expect to make steady progress on this and every other key element of economic renewal.

Accordingly, my recent budget brought forward a comprehensive program to change the attitudes of Canadians towards savings and investment. It recognizes in a direct fashion that a solid investment performance is necessary

to create steady and sustained improvement in the basic conditions for economic growth: This growth will be powered by the dynamism of the private sector and supported by a federal government that recognizes not only its responsibilities but its limitations as an economic regulator and participant.

There are three major elements to the budget strategy.

We are directly encouraging private initiative as the key to economic growth and job creation, with a clear shift toward incentives that reward success rather than subsidize effort. The central measure in this regard is the exemption from taxation on \$500,000 of capital gains for individuals -- effectively a lifetime exemption for most people. We have also greatly broadened the scope for investment in small business by pension funds and registered retirement savings plans of individuals.

We are also signalling a basic move away from a welter of targeted corporate tax incentives and direct government spending programs which have built up over the years. With the best of intentions, these incentives have increasingly distorted the process of allocating resources in the most efficient and productive manner possible.

We are also improving the efficiency and effectiveness of government in a number of ways. The most comprehensive review of government programs ever carried out in Canada is now well under way under the auspices of a ministerial task force. In the process we are cutting waste, removing obstacles to economic growth and making better use of limited resources.

The third element of our program is to reduce the federal deficit and bring the growth of the federal debt under control. Unless we succeed on this front, scope for the growth of a revitalized private sector will simply not be there. And not only would private sector growth be stunted but government itself would be paralysed by a mounting financial crisis. The result would be that neither the private nor the public sector could play its proper role in the achievement of a rising standard of living, not to mention supporting the social and cultural progress that depends so much on economic success.

I want to spend just a moment looking at the dimensions of the fiscal problem facing Canadians and putting it into some perspective.

First, I think it important to recognize that in terms of total government expenditures -- that is, by all levels of government -- Canada is very much in the mid-range of western industrial countries at just under 50 per cent of GNP. Nonetheless that is about 10 percentage points higher than total government spending in the United States.

It is also interesting that when the spending of central governments alone is compared -- excluding transfers to other levels of government -- Canada's federal government comes out very close to or slightly below that of the U.S., depending on the definitions used.

Where the serious differences really begin to show is in relative levels of deficits and debt.

For the total government sector including provinces and municipalities in 1984, deficits were equivalent to 7 per cent of GNP in Canada and 4.8 per cent in the United States on a national accounts basis. Other comparisons using different definitions somewhat narrow that gap but still leave Canada with significantly higher deficits as a percentage of GNP.

But the greatest concern arises in relation to the impact of accumulated debt and its relentless growth. Here again, there are different ways of measuring the problem but the most telling one in my view is the cost of servicing the debt. However they are measured, net public debt charges as a percentage of GNP run substantially higher in Canada than in the U.S. -- and the gap has been widening. And it is the cost of servicing a growing debt that gives high deficits and accumulating debt a virtual life of their own and a frustrating degree of immunity even to the effects of stronger economic growth.

There is a temptation to argue that higher deficits and debt service burdens are not really a greater problem for Canada because the savings rate in Canada is substantially higher than in the United States. But that is a bit like saying

there is no problem with a ballooning debt so long as your credit remains good. In fact, it may be your good credit that makes it all too expedient to get into serious financial trouble.

We had to make some tough decisions now to reverse the momentum of deficits and begin the job of controlling the growth of the debt. The fact that the government has been criticized for being both too tough and not tough enough is a reminder of what we all knew all along -- it is immeasurably more difficult to solve the fiscal problems of an overspent government than it is to create them.

I spoke earlier of the close relationship between the economies of our two countries. That relationship also implies a great reliance by the smaller economy on the growth of the larger one -- and the current slowing of growth in this country was a major factor in the fiscal strategy that I adopted.

We have been careful not to tip the Canadian economy into recession by actions which would sharply restrain short-term economic activity. But we have been equally careful to put in place long-term measures that will reduce the projected deficit at the end of the decade by more than \$20 billion and cut a cumulative total of \$75 billion from the national debt by that time. You might multiply those numbers by 10 for general comparisons of magnitude in the U.S. context.

Some financial observers have expressed concern that the emphasis in this budget has been too much on the tax side. We did raise some taxes, but we did far more in reducing expenditures -- 80 per cent of the deficit reduction is from reducing spending. The result is that revenues as a percentage of GNP will stabilize while expenditures will be cut by more than 2 1/2 percentage points over the next five years.

Our measures will also significantly reduce the federal budgetary deficit in relation to the GNP by close to 2 percentage points between the 1984-85 fiscal year and 1986-87. In the same two year span our financial requirements -- the money that must be borrowed by the federal government -- will drop from 7 per cent of GNP to 5.2 per cent. Nevertheless, the net public debt as a percentage of GNP is not projected to stabilize until the end of the decade. In the meantime the vulnerability of the government to a resurgence of higher

interest rates and higher debt servicing charges is obvious. However, we will have brought the rate of growth of government debt from an average of about 25 per cent over the past three years to a rate of about 14.5 per cent next year as a result of this budget.

The problems I have sketched for you are not unique to Canada. Every other western industrial nation faces similar challenges in greater or lesser measure. In terms of influence on the world monetary and economic environment, the deficit and debt situation in the United States is of course by far the most important.

But our government has very carefully placed the primary responsibility for Canada's monetary and fiscal destiny where it truly belongs -- in Canada, with Canadians. It is absolutely essential that we recognize that we can do much worse than Americans with regard to interest rates -- tragically worse in terms of the human aspirations of Canadian citizens -- if we fail to take the steps necessary to reduce deficits, bring the growth of the debt under control and provide the private sector with room to grow.

Our two countries are remarkably alike in some respects and remarkably different in others. We have a great deal to learn from each other and, most important, we have the deep-rooted relationship that permits us to learn, to develop and enrich our national lives in a mutually beneficial and evolving way.

I have heard it said in Canada that our government's economic policies ultimately depend on Canadians becoming more like Americans in their investment and entrepreneurial habits. But I have also heard it said that the way to secure the economic future of the United States is for Americans to become more like the Japanese.

I think it's time that we all recognize that the road to the economic future is not paved with fixed, stereotyped answers to the challenge of economic change.

The secret, if there is one, is nothing more or less than the age-old principle of variety -- the kind of rich, innovative and dynamic variety that flows naturally from an economy that allows people to unleash their full potential for growth and development.

Instinctively, Canadians and Americans understand that principle. It is fundamental not only to the economy but to the way of life that we have each built in our own way while sharing a continent in an unparalleled spirit of peace and co-operation.

The issue is not whether we must become more or less like each other but whether we will achieve more or less of our potential as individuals and as nations. Each in our own way, we can be proud of what has been accomplished since our nations were born. Each in our own way, we know that much more can and must be done to reach our goals.

Canadians know that they cannot depend on anyone but themselves to grasp the promise of a future as bright as any in the world. Yet, our destinies are bound together. We share not only a continent, but a set of basic human values that give enduring strength to our efforts to build a better future. We share great opportunities.

The new Mulroney government has stated clearly its confidence in individual Canadian to seize those opportunities. We believe we are on the threshold of a significant new era of economic growth in Canada. We invite you to share with us the benefits of that new era.

85/92

NOTES FOR A SPEECH

BY

THE HONOURABLE PAT CARNEY,

MINISTER OF ENERGY, MINES AND RESOURCES CANADA

TO THE

NATIONAL ENERGY FOUNDATION BOARD OF DIRECTORS AND

NEW YORK CITY CHAMBER OF COMMERCE

NEW YORK

JUNE 19, 1985

Check against delivery



Mr. Chairman, Ladies and Gentlemen:

I appreciate this opportunity to review the fundamental changes that have taken place in Canadian energy policy since the federal election last September. The changes were long overdue. But they have now been made and the Canadian oil and gas industry is back in business.

If you invest in energy, you should know about these changes. That's why I'm here. Canada needs energy investment: domestic investment and foreign investment. The government of Prime Minister Brian Mulroney welcomes foreign investment. That's also why I'm here.

Those of you who follow Canadian affairs may have noticed that Canadians are changing the way they refer to the Government of Canada. Not long ago they called us The 'New' Progressive Conservative Government or The 'New' Tory Government. Lately they have begun to call us 'The Government'.

It's now almost 10 months since our election victory, so a Progressive Conservative national government is no longer a novelty.

Any period of uncertainty is over. Canadians know what they can expect of us. We're not learning the ropes anymore; we've got a track record. We're not judged on our campaign promises anymore; we're being judged on our accomplishments.

I invite you to look at our record. It's in your interest to do so. If you invest in energy, you will see that Canadian energy is more attractive now than it was a year ago. If you buy energy, you will see that Canadian energy exports are now more competitively priced, and their contract terms more flexible.

Almost a year ago, on the eve of an election, the Progressive Conservative Party announced a list of energy commitments. It was a comprehensive energy policy statement and an agenda for action. By the end of March 1985 we had done more than we promised.

Canadians, like Americans, tend to discount campaign commitments. They expect governments to deliver only a fraction of what they promise. We surprised a lot of people. We did what we promised and we helped restore confidence in the political process.

A year ago we promised to remove controls on Canadian crude oil prices. On June 1, 1985, controls were removed and the market now determines those prices.

We promised to return to profit-based taxes. On March 28 we announced the phase-out of the Petroleum and Gas Revenue Tax, a front-end revenue tax. This measure also honoured another promise, the accelerated pace of oil sands development.

We promised market-sensitive pricing for natural gas; the job is now two-thirds complete for natural gas exports and we have a deadline of November 1 for domestic natural gas pricing.

One of our major goals, as stated a year ago, was cooperation between federal and provincial governments and industry to produce a stable planning environment. We saw energy development as an opportunity for economic renewal and job creation. And we saw cooperation as essential to this development.

In the past, cooperation has not been the operative word in Canada for federal-provincial energy relations. Deadlock was the habitual state of federal-provincial negotiations.

Canadians needed progress; they got shouting matches and court battles. Regions of the country felt alienated from the central government and derided by its attitude toward them. The acrimony affected the whole spectrum of issues on which the two levels of government should have been cooperating.

The costs of discord were high. National economic performance stumbled. National self-confidence fell. It was an era of stalled energy projects, wasted opportunities and lost jobs. While you in the United States were back on the road to recovery, we Canadians were hobbled by a destructive energy policy.

That has changed. In February we signed an historic agreement with the Government of Newfoundland and Labrador - the Atlantic Accord. It broke a 16-year federal-provincial deadlock. I was with Prime Minister Brian Mulroney in St. John's, Newfoundland to sign the Atlantic Accord. It was a memorable day. For Newfoundlanders the day was as important as the day they entered Confederation.

The Atlantic Accord has paved the way for the development of Hibernia, the largest oilfield in the country, the largest oil discovery in North America since Prudhoe Bay.

In March, with the governments of Saskatchewan, Alberta and British Columbia, the federal government signed the Western Accord. It broke what had become almost a tradition of federal-provincial acrimony over energy. It established a durable framework for oil and gas in western Canada, which had been brought to its knees by the National Energy Program.

Both accords initiated a new spirit of economic renewal and national reconciliation.

Canadians had come to assume that the two levels of government couldn't work together on energy. Canada-watchers may also have made that assumption.

But the new Canadian government believes that energy can be used to unite Canadians, not to divide them. Your decision to buy or invest in Canadian energy need no longer be concerned with federal-provincial political uncertainty.

Regulatory uncertainty is also being reduced. The Government of Canada doesn't have the authority to debottleneck the entire regulatory process. The provincial governments have jurisdiction over their resources. But we are concerned, as they are, with the smooth functioning of the process. Together we're improving it. Every project is different, but on balance we think that the Canadian regulatory process is today smoother than the process in the United States. And we are going to make it even better.

Another goal we set a year ago was to develop energy resources as an engine of growth.

If you asked me to summarize in one phrase the change in energy policy, it would be — engine of growth. It signals a new philosophy of energy policy, particularly oil and gas policy. We view the oil and gas industry not as a cash cow, but as a key creator of jobs.

Prime Minister Brian Mulroney stated our views on job creation in a speech he gave here in New York last December to the Economic Club. He said, and I quote:

"My government considers the creation of jobs its top priority. It is for us a moral imperative."

When we signed the accords, we unleashed the job-creating power of the industry. Oil is no longer stifled by administered prices and export controls. The oil and gas industry is no longer victimized by taxes. We have decontrolled crude oil and we are phasing out the Petroleum and Gas Revenue Tax, a tax on revenue as opposed to profits.

As agreed in the Western Accord, crude oil decontrol took effect June 1. Now buyers can be buyers and sellers can be sellers. The market, not government, establishes the price of crude oil. We abolished the government programs that administered crude oil.

For years the industry had asked for decontrol. Now they have it. Now if they can find oil they can sell it without looking over their shoulder. Artificial price distinctions have disappeared.

An equally important part of the Western Accord is the elimination of front-end revenue taxes. The PGRT has already been eliminated on new production, and is being phased out on existing production. It will be cut in half in two and a half years; it will disappear the year after. We would have preferred to do away with this tax on existing production immediately, but with a high federal deficit we didn't have enough fiscal elbow room.

The PGRT discriminated against the oil and gas industry, and it discriminated against one region of the country. It strangled investment, and it crippled the oil and gas communities of western Canada.

The producing provinces with whom we signed the Western Accord agreed to keep their hands off the revenues we have given up. And the petroleum industry has assured us that increased cashflow will be reinvested. Its track record shows that the cashflow will be reinvested.

We have sent some unequivocal messages to the oil and gas industry. We have sent messages of confidence and messages of challenge. We have said, "We know you can grow, we know you can produce jobs."

And the industry has responded. Within 24 hours of the signing of the Accord, Imperial Oil had announced a \$1 billion spending plan, an increase of 43 per cent over 1984. BP Canada's 1985 investment target is \$188 million, up 88 per cent from 1984.

Seismic is up. Drilling is up. Investor interest is up. Confidence is up. Investment commitments are up.

You don't turn an industry around overnight. Like an oil tanker, it has a momentum of its own. But already we can see that its course is changing.

In addition to our goal of a reinvigorated oil and gas industry we're committed to increased Canadian participation in the industry. There is strong support among Canadians for Canadianization.

The Government of Canada is committed to a 50 per cent Canadian ownership level at the time of production. We believe this is entirely reasonable. I should remind you that in other oil-producing nations, the ownership requirements are often far higher.

However, I cannot stress too strongly that our target for Canadian participation will be achieved without discrimination against foreign investors. It will be achieved by policies with a private-sector focus; it will not be retroactive and it will not confiscate assets.

We also committed ourselves a year ago to improved relations with the United States. It was one of our first concerns when we assumed office, and by now the list of special initiatives to improve relations is long.

The new spirit was evident in the Quebec City talks of President Reagan and Prime Minister Mulroney. The two leaders agreed at the Shamrock Summit to strengthen market approaches to energy trade. They agreed to reduce restrictions and to maintain open access to each other's markets.

For Canada, open access means some \$13 billion in exports of surplus energy. Our population is much smaller than that of the United States, but we are much more dependent on trade. That \$13 billion represents 12 per cent of our total merchandise trade and about 3 per cent of our Gross National Product. Net energy exports to the United States represent about two thirds of our total merchandise trade surplus.

For the United States, open access means the purchase of energy at competitive prices from a supplier with an enviable record of reliability.

Progress has already been made toward the Shamrock Summit's goal of reduced restrictions on energy trade. On June 1, we removed controls on short-term crude oil exports and on heavy fuel oil imports. The United States in turn has removed in essence all controls on crude oil exports to Canada.

These are times of growing protectionist sentiments, but we are confident that together we can make further progress toward the objectives of the Shamrock Summit.

The Government of Canada has taken a 'hands-off' approach to energy. We have returned energy to the marketplace, which is why we would be most concerned if American authorities succumbed to public pressure for protection in the energy field.

We are also confident that Americans will remember that Canada has been a reliable supplier of surplus energy. Licensed electricity exports to the United States have never been interrupted. Natural gas supplies to the U.S. from Canada have been more reliable than U.S. domestic supplies.

The energy policies now in place in Canada will encourage a thriving energy sector. New supplies will be developed. Surpluses will grow. The reliability of Canadian supplies will increase.

We know, too, that Americans will remember that Canadian exports are competitively priced and amount to only a fraction of total U.S. demand. We supply about 4 per cent of your oil, 4 per cent of your natural gas and 2 per cent of your electricity. Canadian energy strengthens U.S. energy security by diversifying supply.

Canadian energy does not threaten the existing supply arrangements for the huge U.S. energy market. Canada has some surplus energy and it's for sale at competitive prices. The record shows that energy trade is to the advantage of both countries.

As the Atlantic Accord and the Western Accord rely on the private sector, so too does the recent budget announced by the Minister of Finance, my colleague Michael Wilson.

On May 23 he introduced a budget in which energy was one of three engines of growth. The others were research and development and small business.

The budget threw the same challenge to business that we had thrown to oil and gas. The message to business was, "We know you can grow, we know you can create jobs. We want to see your successes rewarded."

Several budget measures will strengthen the energy sector. For example, a \$500 000 lifetime capital gains exemption for individuals will make junior oil and gas companies more attractive to investors. Small companies with aggressive reinvestment records will have better access to capital and will invest more.

The budget had two major objectives: one was to create jobs through investment, the other was to reduce the deficit. To control the deficit it had to be tough and it announced some difficult decisions.

For instance, it announced the closure of two money-losing, publicly owned, heavy water plants in Cape Breton, Nova Scotia. However, the budget provided special incentives for new investment in the area. Almost all new investment will be largely free of corporate income tax for 10 years.

I bring Cape Breton to your attention because it's an attractive location for new facilities. It is well positioned, it has incentives for investment and it has skilled tradespeople who want to stay.

The budget marked the end of the transition period for the new Government of Canada. In energy we had already shown that we would do what we promised. The budget confirmed that we would keep our promises for all sectors.

We have dramatically reduced political uncertainty. A stable framework is in place, bottlenecks have been eliminated.

We have removed a number of the irritants that have been mentioned by Americans who invest in, or buy Canadian energy:

We're replacing the Foreign Investment Review Agency with Investment Canada, an organization with a mandate to encourage foreign investment.

We are abolishing the so-called 'back-in', the retroactive Crown Share that confiscated without compensation 25 per cent of frontier discoveries. I will be announcing legislation this fall.

We're ending the PGRT, a tax on gross revenue that was the equivalent of a new royalty.

We're phasing out the Petroleum Incentives Program which was designed to discriminate against foreign investors.

We have decontrolled crude oil and ended an administered domestic crude oil pricing system that was clumsy and hard to understand.

Administered export prices are now gone on oil and they are going on natural gas.

While the checklist shows there are still some loose ends, few people now doubt our commitment.

There will be new measures, but they won't be surprises. They will be consistent with the themes of the accords, the budget and Investment Canada. They will be consistent with the Shamrock Summit's goal of greater predictability and confidence.

I began by inviting you to look at our record. We are proud of our achievements. The record shows we are predictable and that we inspire confidence.

Canada needs that confidence. We need investment - in the oil sands, in conventional producing areas, in the frontiers.

In the oil sands, with more oil than Saudi Arabia, we have tapped only a fraction of the potential. The western sedimentary basin has had only one well for every 10 in comparable areas of the United States. The frontiers have, in comparative terms, barely been scouted.

Our geology is promising. Our economics are favourable. Our policies are supportive.

We have a regulatory and fiscal framework that is noninterventionist and nondiscriminatory.

We have replaced policies of intervention with policies of initiative.

We have changed an administered system to an opportunity system.

We have established rewards for success, not activity.

We have encouraged drilling for oil instead of drilling for taxpayers' dollars.

We have put investment decisions back in the hands of business.

Nine months ago, we began our quest to rewrite Canada's energy policies.

We did so because they were unjust to Canadians, and Americans, who wanted to invest in our country.

That task is now substantially complete. The challenge today lies with Canada's oil and gas industry which has been given the opportunity to grow.

I hope you share our pride in what we've accomplished.

Thank you.

