

The U.S. continues to be the major source for direct investment in Canada and the most important market for Canadian direct investment abroad. In 1992, the stock of direct investment in Canada from U.S. sources amounted to \$87.3 billion or 64 percent of all foreign direct investment. Canadian direct investment in the U.S. in 1992 grew to \$57.8 billion from \$46.5 billion in 1988 and represented 58 percent of all Canadian direct investment abroad.

External Affairs and International Trade Canada (EAITC) undertakes an extensive business development program in the U.S., delivered through its network of consulates. The program is focused on strategic sectors and is designed to increase the participation rate of Canadian companies in export, to provide market information/intelligence, to improve export education and to attract U.S. investment to Canada. Through the Access North America program increased emphasis on selling services to the U.S. is being undertaken because of the increased market access created through the NAFTA.

ii) Political

As the sole remaining superpower, the United States' influence in multilateral institutions has never been greater. Although very much preoccupied with his domestic agenda, the President and his advisers have endeavoured recently to redefine the meaning of U.S. national interest and the policy instruments required to pursue it. Major elements include engagement, not isolationism, with more selective use of an upgraded United Nations (UN) peacekeeping capacity; definition of a North Atlantic Treaty Organization (NATO) out-of-theatre mandate and more equitable burden sharing, while reserving the right to act unilaterally; a recommitment to a Comprehensive Test Ban Treaty; a preference for open trade not protectionism, with particular priority on conclusion of the General Agreement on Tariffs and Trade (GATT) Uruguay Round and the NAFTA; enlargement, i.e., promotion, of free market democracy around the world and countering states hostile to this; and providing humanitarian relief where it can do most good. The policy is cautious not radical, reflecting congressional reservations and domestic budgetary realities.

The bilateral relationship is enormous, complex and remarkably problem-free. Transboundary relations, particularly on environmental matters, are of major importance with a significant degree of prevailing co-operation. Bilateral defence relations are close, with particular emphasis on defence research and development, defence production sharing and effective arrangements for North American air defence.