reduce the options available to deal with adjustment. It follows that restrictions on outward FDI should also be avoided for the same reason.

7.3 Canada as a Trading Nation in World Markets

The existence of an increasingly open international trading environment is an important reason why Canada and industrialized nations in general and, more recently, the newly industrializing economies have been able to simultaneously benefit from trade and FDI in the post-Second World War era. If trade protectionism increases, then the benefits arising from the exploitation of locational advantages by multinationals and the international transmission of these benefits through trade could be severely curtailed.

On the investment side, Canada has participated in and benefited from FDI flows, both as a host and as an investing economy. To continue to participate in and benefit from FDI flows, Canadian policy makers need improved access and information on international investment policies to construct effective policy frameworks which will attract investment, promote efficient production in Canada and assist Canadian investors abroad. To achieve a more open environment for FDI, it is desirable to increase the transparency of international FDI policies. International transparency exists for trade, as contracting parties of the GATT are required to submit their trade policies for review on a regular basis. Although a number of international agencies and organizations are collecting information on investment, there is no one organization that collects information for all countries on FDI policies. The GATT Uruguay Round negotiations has included negotiations on investment measures, but only those that have an immediate trade effect.

The United Nations Centre on Transnational Corporations has recommended a FDI policy review mechanism similar to the GATT Trade Policy Review. The benefits of such a review would be to increase the transparency in international FDI policies, which would provide a more open environment for FDI, provide host countries with better bargaining positions vis-à-vis foreign investors, reduce competition among host countries for investment projects, allow host countries to estimate the costs and benefits of direct investments better and increase the stability of FDI policies. The policy review could cover all aspects of FDI including: FDI policy statements, laws, regulations, administrative guidelines, bilateral investment treaties, double taxation treaties, technology transfer and the repatriation of earnings. Additional policies that could be included which would also have an impact on direct investment decisions are: employment laws and regulations, the environment and intellectual property rights.[33] Although the OECD does have agreements which provide some discipline with respect to the treatment of foreign investors, they are not agreements about FDI liberalisation, nor are they backed up by GATT's dispute settlement procedures. However, the OECD has recently begun a new programme of periodic examinations of each member's FDI laws, regulations and policies, and corporate rules and practices. These examinations will also

[33] *United Nations Centre on Transnational Corporations, World Investment Report 1992, Transnational Corporations as Engines of Growth, 1992, pp. 292-294.*