

per cent of total US DIA for 1993 was targeted at the selected countries, whereas the remaining 50 per cent was targeted at other countries, many of which are considered to be developing countries (such as Mexico and to a lesser extent, China). The data highlight the fact that less than five per cent of the 1993 DIA flows of the United States was targeted at Canada in 1993. This compares unfavourably with Canada's ratio of total US DIA stock, which stood at 14 per cent in 1992.

Thus, while Canada is an important part of the U.S. direct investment portfolio abroad, the United States direct investment position in Canada has not changed appreciably since 1990. The United Kingdom had the largest proportion of US DIA stocks in 1992, with U.S. \$78 billion, followed closely by Canada with U.S. \$68 billion. However, US DIA to the United Kingdom grew by more than U.S. \$20 billion in 1993, compared to only U.S. \$3.2 billion flowing to Canada. Thus, Canada is losing ground to its major competitor for US DIA.

Similarly, other selected countries have a relatively smaller share of U.S. investment abroad according to the 1992 figures. The Department of Commerce reported U.S. DIA holdings in Japan of U.S. \$26 billion, Germany with U.S. \$35 billion, France with U.S. \$23 billion, the Netherlands with U.S. \$19 billion, and Switzerland with U.S. \$28 billion. Again, the US DIA of the countries covered by the report have tended to grow faster than the corresponding US DIA to Canada since 1990.

The relative lack of growth of US DIA to Canada may be problematic. Canada needs to keep abreast of major international developments (such as investment liberalization in Europe and NAFTA) if it is to keep its current relationships with important investors such as those of the United States. The trade and investment liberalization which occurred in Europe, for example, as countries prepared for the European Common Market provided opportunities for North American companies wishing to establish in Europe. This may have distracted our closest neighbour, the United States, from investment opportunities in Canada. If Canada does not respond quickly enough to these developments by, for example, somehow promoting or improving the investment environment of Canada, it will quickly lose a share of global investment flows. Canada attracts less than five per cent of new US DIA flows, suggesting that it is losing ground to other countries relative to US DIA.