

#### IV. INVESTMENT/TECHNOLOGY INFLOW

In its agenda document "A New Direction for Canada" the government has stated that if Canadian industry is to be internationally competitive Canada must become effective in applying leading edge technologies, and that both the public and private sector have important roles to play in this regard. Further, the document states that Canada wishes to become a better place for foreign investors to do business, and that real opportunities exist in this regard to remove obstacles to private sector growth and to foster increased investment which will create jobs and attract new technology.

The government has tabled legislation to establish a new agency, Investment Canada, which will have among its functions the encouragement of inward investment. In addition, federal government departments have reviewed their structure with the aim of improving and expanding mutually supportive activities in relation to investment promotion and technology development and acquisition.

In the Department of External Affairs, a Bureau of Investment and Technology has been established to serve as a focal point for policy development and operations in these areas. Since a country of Canada's size cannot produce all of the technology that it requires it must encourage the importation and adaptation of foreign technology, followed by its diffusion and enhancement within the country, to strengthen the competitive position of Canada's industry. Canadian Embassy Science and Technology offices, located in six key countries, will assist Canadian companies in identifying potential sources of technology, through direct contact and in cooperation with trade commissioners. They will also continue to provide strategic reporting on important technological developments in selected key areas. The federal government looks forward to discussions with the provinces and the private sector on improvements to the mechanisms for identifying these areas and for distributing assessments of overseas advances in technology and innovation.

The prospecting of foreign technology is generally integrally related to the process of attraction and importation of investment capital. The federal government is now reviewing its existing export development funding programs and the role of trade commissioners in major industrial and financial centres abroad in encouraging foreign investors to come to Canada, with particular attention to the needs of small and medium businesses. Included in the review process are plans to identify priority industrial sectors, to design quality publicity material for potential investors, and to improve liaison between interested agencies and industries with respect to all aspects of Canadian industrial development work abroad.

The USA is a principal source of foreign investment flows into Canada. In the first three quarters of 1984, it accounted for 60% of the total inflow into Canada of foreign direct investment. This represents an inflow of over C\$ 1 billion compared to the net outflow of US direct investment in 1983 of C\$ 660 million. Although recently flows into Canada of portfolio investment from the USA have been exceeded by those from the rest of the world, the USA remains the prime traditional source for Canada. On a cumulative basis, as of the end of the third quarter, 1984, the USA accounted for slightly more than half of all foreign portfolio investment in Canada.