

States and from Europe, particularly the U.K.. Japanese investment grew rapidly in the latter part of the 1980s but has fallen somewhat in recent years.

Foreign direct investment in Canadian industry has grown, but is smaller than the portfolio holdings described above. Also, the proportion of total world direct investment in Canada has fallen since the early 1980s. Although U.S. direct investment in Canada continues to grow and still comprises the largest share, the U.S. share of total foreign direct investment in Canada has been steadily declining as European and, to a certain extent, Japanese investments take larger stakes.

The trend for sources of foreign technology used by Canadians matches, with one important exception, direct investment trends. The U.S. is by far the most important source of technology for Canada, although European sources have become somewhat more important, primarily through the activity undertaken by their affiliates in Canada rather than through direct licensing of patents or trademarks. There appears to be almost no Japanese industrial R and D spending in Canada.

Canadian direct and portfolio investment abroad has grown rapidly. Although this investment has increased in Europe, particularly the U.K., the Asia-Pacific region and Latin America, the U.S. still takes the largest share of both portfolio and direct Canadian investment. Most Canadian portfolio investment abroad is in stocks rather than bonds and other debt securities.

Although Canadian business services exports have grown more rapidly than Canadian merchandise exports, business services exports are still small compared to merchandise exports. The pattern of business services exports roughly follows the pattern of merchandise exports. Tourism is another form of services trade. Although U.S. tourism remains by far the most important, both the number of visits and spending by tourists from Asia and Latin America have grown, while the number of European visitors has also increased.

Changes in Canadian trade policy interests parallel changes in Canadian trade and investment interests abroad. These trade policy interests remain focused on the world's major economies: the U.S., Japan and the EU. However, there is increasing scope for cooperation on specific trade policy issues with some of the dynamic economies of Asia and Latin America.

The Paper concludes by pointing to several trends with policy implications as areas for further research, including understanding why Europe's share of Canadian merchandise exports has fallen and why Japan-Canada technology links are so comparatively weak.