

# The Need for More Investment

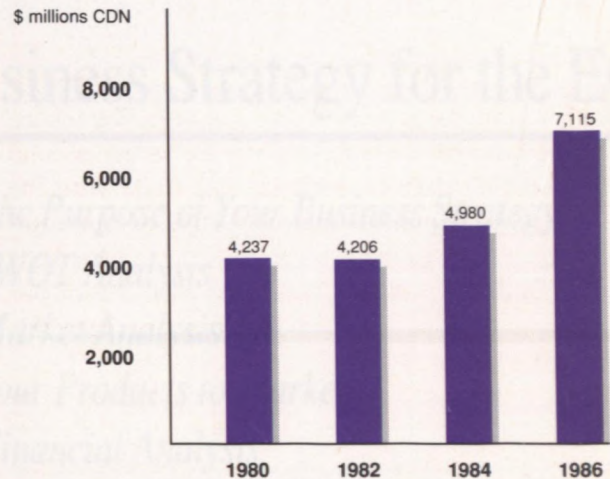
Canada's economic relationship with the EC goes substantially beyond trade. It includes growing investment links developed by many companies as an extension of their trading activities.

Between 1980 and 1986, the EC's share of foreign direct investment in Canada increased from 15% to 18%, while U.S. investment decreased from nearly 80% to 73%. Traditionally, U.K., West Germany, the Netherlands, and France have followed the U.S. as Canada's principal suppliers of direct investment.

Since international investment is increasingly used by firms to complement their trade activities and position themselves more effectively for global competition, Canada's investment flows into the EC are an important indicator of business movement.

Between 1980 and 1988 the flow of Canadian investment to the EC was erratic. Instead of a positive response to the opportunities offered by 1992, we find that in fact the growth rate of Canadian net

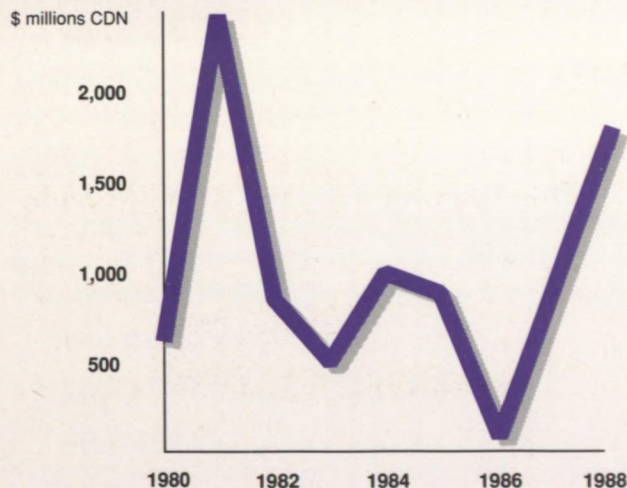
## Stock of Canadian Investment in the EC



Note: Spain and Portugal became members of the EC on January 1, 1986.

Source: Statistics Canada

## Flows of Canadian Investment to the EC



Note: Spain and Portugal became members of the EC on January 1, 1986.

Data reflects net outflows of Canadian direct investment.

Source: Statistics Canada

investment declined. In 1988, there was a marked rise compared to recent years. These figures may be the beginning of a long-term trend, but it is too early to assume they represent a solid commitment by Canadian business to the EC.

From 1980 to 1986, the stock of Canadian direct investment in the EC almost doubled, but as a percentage of our total direct investment abroad it actually declined from 15.7% to 13.3%. At the same time, our direct investment in the U.S. tripled, and, as a percentage of our investments abroad, our U.S. investments increased from 59.4% to 71.2%.

Today, investment provides various forms of access to markets, new technologies, and financial networks. Too few Canadian businesses are exploiting the increasing investment opportunities in the EC. In a time of increasing global competition, we have to do better.