

eliminate trade and current account imbalances while sustaining economic growth. This problem would be central to the discussions at the Toronto Economic Summit in June 1988.

Investment issues

Investment issues were prominent during the year. Direct investment in Canada continued to grow, reflecting a more open investment climate created by the 1983 Investment Canada Act. Attention was focused on the investment chapter of the Canada-U.S. Free Trade Agreement, which is the first instance of investment issues being included in an international agreement. The Agreement raises the threshold level for review of direct acquisitions to \$150 million and abolishes the threshold entirely for indirect acquisitions at the end of four years. A number of performance requirements, such as local content requirements, import substitution and minimum level of equity have also been abolished. A feature of the Agreement is that it provides for national treatment: Canadian investors in the U.S. and American investors in Canada will be subject to the same rules as domestic investors. Existing policies such as Canadian restrictions on foreign ownership in the oil and gas sectors are, however, grandfathered, i.e., they are not affected. For Canada, the Agreement means that Canadians will be protected against any protectionist changes in U.S. policies and that Canada should become an even more attractive location for investment, since there will be access to the entire North American market. Internationally, Canada continued to be active in the OECD Committee on International Investment and Multinational Enterprises and in the negotiations on Trade-Related Investment Measures in the Uruguay Round.

The Canada-U.S. Free Trade Agreement included a chapter on financial services, in which both sides set out specific undertakings regarding access to their markets. Discussions were also undertaken with other countries, especially Japan, as foreign interest in access to Canada's markets for financial services grew following major reforms in the area carried out by the government.

Intellectual property protection

The issue of intellectual property protection has received greater international attention due to increased recognition

of the link between innovation and economic growth. As a result, intellectual property is on the agenda of the current round of multilateral trade negotiations. The MTN process will advance the debate on the use of GATT disciplines for the enforcement of intellectual property rights. Canada, as both a producer and net importer of technology, will seek to ensure a balance between protection for rights holders and the need for continued access to foreign technology, without unduly disrupting the international trading system through overly stringent or discriminating enforcement procedures.

Striking an appropriate balance between access to technology and inventors' rights has also arisen in the development and passage of a number of new domestic intellectual property laws in Canada. These include changes to the Patent Act to improve market protection for pharmaceutical inventions and to streamline the general patent system in Canada, amendments to the Copyright Act to provide protection for new technologies including semiconductor chips, as well as enhanced protection for the cultural industries. These changes have not only affected Canada's posture in the MTN negotiations, they have also been of interest to a number of our trading partners, who have seen their trade and investment interests at stake.

Concomitant to domestic intellectual property initiatives and participation in the GATT negotiating group on trade-related intellectual property issues, Canada continues to participate fully in the World Intellectual Property Organization (WIPO). WIPO activities aim to improve intellectual property standards, harmonize laws and ensure administrative co-operation among intellectual property unions, and thus strengthen the framework for the development and application of enforceable international intellectual property regimes. Current WIPO activities in which Canada is participating include the revision of the Paris Convention on Industrial Property; the definition of an international regime for protection of integrated circuits; the harmonization of national laws in respect of patents, trademarks and copyright; and the elaboration of model laws in the areas of counterfeiting and protection for biotechnological inventions. Canada also participates in OECD conceptual work geared towards the elaboration of principles and rules related to trade aspects of intellectual property.