

their restrictive effect on access to the US market. US International Trade Commission investigations of Canadian potato and lumber exports to the USA have been sending protectionist signals to Canada. Other sources of concern are: the proposal to further restrict uranium imports into the USA; the continuation of the Domestic International Sales Corporations (DISC) which has been found to be contrary to US GATT obligations; a number of narrow "reciprocity" bills now before Congress, one of which, if passed, would disrupt cross-border trucking trade by discriminating against Canadian carriers; and a bill which would divert maritime cargo from Canadian to US ports.

Canada and the USA have a free trade arrangement in the automotive sector under the auto pact signed in 1965. In 1981 bilateral automotive trade reached \$22 billion, or one quarter of total two-way trade. However, this sector poses problems for Canada. Canada experienced a deficit of over Cdn \$3 billion in 1979 and over \$2 billion in 1980 and \$1.7 billion in 1981 in automotive trade with the USA (Statistics Canada, customs basis). While Canada normally has a surplus in assembled vehicles trade, the over-all deficit and the growing deficit in the high technology, skill-intensive parts sector is cause for concern.

Investment

Canada and the USA are the foremost destination for each other's foreign investment. The USA has about Cdn \$70 billion in direct and portfolio investment in Canada, and Canada has an estimated Cdn \$13 billion in the USA. Other foreign investment in Canada is estimated at Cdn \$26 billion, for a total of Cdn \$96 billion. Some 80 per cent of all foreign direct investment in Canada is of US origin, controlling about 24 per cent of Canadian non-financial industries. Canadians account for 15 per cent of all foreign direct investment in the USA, controlling less than .5 per cent of US non-financial industries. By sector the comparative Canadian and US situations are as follows: