

inputs increases, then the level of foreign direct investment in Canada will increase. Conversely, if interdependence between Canadian owners and American resources increases, the level of Canadian foreign investment in the United States will increase.

International interdependence at the sectoral level results from the nature of the production process and efficiencies in managerial skills. If the production process is susceptible to an international division of productive inputs then the country with more efficient managerial skills will increase its foreign investment. This results because more efficient management adopts technological improvements more rapidly and because ownership usually entails ultimate responsibility for managerial decisions.

The four priority sectors have production processes that are subject to an international division of labour in varying degrees. Steel and farm machinery are produced by continuous assembly-line processes. Urban mass transit equipment is produced by discontinuous assembly line processes to meet contractual specifications. The standardization incorporated in assembly-line processes makes them amenable to internationalization. Computer services are not produced by assembly-line techniques and consequently are not subject to internationalization in the same way as the other three sectors. Thus, the impact of sectoral free trade on the level of foreign ownership in steel, urban mass transit equipment and farm machinery hinges upon national managerial skills.