

slight adjustments would be the likeliest reactions to trade liberalization from the great majority of US companies with direct investments in Canada.

At the same time, the survey underscores the theme that foreign firms consider government regulation, market access, tax regimes and government incentives as quite significant determinants of foreign investment, thus raising the prospect that these particular issues may be put on the table by the American side during comprehensive trade negotiations.

In summary, then, two recent surveys on the attitudes of foreign and particularly US firms towards investment in Canada have produced the following results:

- the great majority of foreign firms surveyed by the Conference Board did not consider trade barriers as a major criterion in making investment decisions;
- about half the number of US firms with investments in Canada surveyed by External Affairs did not consider trade barriers as a significant factor on future investment decisions;
- of the more than half which did consider trade barriers as significant factor, less than 50% of these believed them to be a governing factor in their future investment decisions;
- two-thirds of US firms surveyed foresaw a continuation of the status quo or rationalization as the most likely outcome of a trade agreement and only one fifth believed removal of trade barriers would have a profound impact on their Canadian operations;
- both surveys indicate foreign investors in Canada consider market access as well as government regulations of foreign investment and business activities as major criteria determining future investment. The survey of US firms also portrays some concerns about labour costs and relative exchange rates.

Attitude of Canadian firms towards investment on the United States - Since the mid-1970's, Canada has experienced a dramatic reversal in its traditional position as a net importer of direct investment capital. In addition, an increasing proportion of Canada's direct investments abroad is being directed to the United States.

Table 9

Flows of Foreign Direct Investment to and from Canada, 1960-84

(Can. \$ millions)

	<u>Foreign direct investment in Canada</u>	<u>Canadian investment</u>	<u>Net investment</u>
1960-64	2,285	465	1,820
1965-69	3,326	850	2,476
1970-74	4,125	2,523	1,602
1975-79	1,660	6,745	-5,085
1980-84	-1,920	17,725	-19,645

Source: Statistics Canada, System of National Accounts, Quarterly Estimates of the Canadian Balance of International Payments, Cat. No. 67-001