

1.11 Chapter 16: Investment

The Free Trade Agreement applied the principle of national treatment in the case of cross-border investment activities. Some barriers that predated the FTA remain but there are to be no additional restrictions imposed.

This provision has been particularly important in defending Canadian interests over the past year in the face of concerns in the USA about the extent and implications of foreign investment which have given rise to a number of protectionist measures. In opposing protectionist proposals, and in particular their application to Canadian investors, Canada has been able to point to the FTA national treatment obligation. As a result, Canada was exempted from the restrictive provisions of a U.S. bill on the application of anti-trust law to foreign participation in joint production ventures. Although the bill did not pass, it may be taken up by Congress again in 1991.

Canada has retained the right to review significant U.S. investments. In 1990, the threshold for review of a direct acquisition was increased to \$50 million, and that for an indirect acquisition to \$250 million. During the first three quarters of 1990, Investment Canada received 50 notifications from investors for acquisitions which fell between the old (pre-FTA) and new thresholds. The total asset value of these acquisitions was \$761.1 million. Of the 50 notifications, 48 were direct acquisitions and 2 were indirect acquisitions. The two indirect acquisitions accounted for \$133.4 million of the total asset value of \$761.1 million.

Canada will continue to adjust its investment review policy in accordance with Article 1607. In 1991, the Investment Canada review threshold is \$100 million for direct acquisitions of Canadian companies by American investors. The threshold for reviewing U.S. direct acquisitions will peak on January 1, 1992 at \$150 million. For indirect acquisitions by U.S. investors, the threshold figure as of January 1, 1991 is \$500 million. From January 1, 1992, there will no longer be any review of indirect acquisitions.

1.12 Chapter 17: Financial Services

In accordance with Chapter 17, Canada has essentially exempted U.S. financial institutions from Canadian foreign ownership regulations. The USA passed legislation to meet its commitments under this chapter. Consultations have continued between Finance and Treasury officials to further liberalize rules governing financial services trade, as provided for in Article 1704.