

loosing its lead over a number of other countries as a target of U.S. direct investment.

Canada is already largely saturated by U.S. direct investment abroad, that is, more than U.S. \$68 billion for a relatively small economy, and this may help explain the lack of growth over the last five years. Another possibility is the relatively freer investment climate that has been in existence between the United States and Canada relative to other countries. For example, the trade and investment liberalization, which has occurred in Europe as countries prepared for the implementation of the European common market, may have resulted in a larger number of new opportunities for North American companies to establish operations in Europe (relative to Canada, for example). In any event, the United States is likely to continue to be a significant investor in Canada for some time, although the more rapid growth abroad will eventually erode the size of the existing investment base.

The United Kingdom ranks second to the United States in terms of their investment levels in Canada. Globally, British companies are significant world investors, with investment stocks abroad (UK DIA) of more than U.S. \$252 in 1993. Stocks of foreign direct investment in the United Kingdom are almost as important, totalling U.S. \$195 billion in 1993.

U.K. direct investment abroad was affected by economic conditions over the study period. However, relative to GDP, the United Kingdom remains an important investor nation, with direct UK investment to other countries exceeding 4 per cent of GDP for three of the eight years covered by the study. For 1993, investment outflows from the United Kingdom were 2.8 per cent of GDP.