

proportion held by the U.S. (76% to 64%). In the other direction, Western Europe became an increasingly attractive place for Canadian investors, accounting for 14% of total Canadian direct investment abroad in 1985, but over 22% in 1991.⁵ Yet it is helpful to place this partial shift in context. The following factors are important:

- As in the past, a single country, the U.K., has remained by far the largest source of European FDI in Canada, with almost half that region's share in both 1985 and 1991. The U.K. was also the recipient of well over half of Canadian FDI stock in Europe.
- The other European majors (Germany, the Netherlands, Switzerland, France and Sweden) account for most of the balance of European FDI in Canada.⁶
- Policy makers predicate the hunt for quality foreign investment on the research, production and marketing efficiencies that such investment should bring. Yet not all FDI creates the control of an enterprise often necessary to ensure the adoption of the changes required to achieve the desired efficiency gains and, consequently, to have a major positive impact on the Canadian economy. When viewed from this perspective, the relative impact of European investment in Canada did not increase significantly during the 1980s. European investors controlled 5% of the assets of all non-financial corporations in Canada in the early 1980s, a level increasing to just 6% in 1988 (the last year available). Their share of revenues remained stable at about 5%.⁷
- With respect to non-direct foreign investments (i.e., portfolio instruments), the U.S. share sharply contracted during the 1980s (from 60% in 1983 to 38% in 1991). Portfolio investment from the European Community helped fill the gap, with the value of such holdings increasing from almost \$30 billion to almost \$80 billion during the same period. Yet the EC's share of foreign portfolio investments in Canada increased

⁵ Statistics Canada, "Canada's International Investment Position", Catalogue No. 67-202 (1992), Table 9, pp. 67-72 and Table 29, pp. 101-06.

⁶ Statistics Canada, Catalogue 67-202 (1992), Table 29, pp. 101-06.

⁷ Statistics Canada, **CALURA 1988**, Table 1, pp.126-7, and Table 4, p. 139; **CALURA 1982**, Table 3, p.141. Since the early 1970s, Canadian-controlled corporations have accounted for a generally increasing share of assets and revenues of non-financial corporations, a trend reversed only modestly with respect to assets during the foreign mergers and acquisitions binge that peaked in 1988-89.