

g) If an agreement is negotiated and their products are not excepted, this group would want the longest possible transition period for the phasing in of Canadian tariff reductions, a differentially shorter period for U.S. tariff elimination, and safeguard measures to prevent surges of imports, particularly in the phase-in period. On this latter point, provisions to counter predatory pricing by U. S. companies which attempt to move into the Canadian market massively and quickly would be important to those consulted.

INVESTMENT

A variety of views were expressed about the impact on investment in Canada of a comprehensive Canada-U.S. agreement.

a) Typical of those in favour of such an agreement is the view that the current uncertain state of access to the U.S. market is a powerful factor inducing Canadian firms requiring a larger market than the domestic Canadian market to locate any additional capital investment in the United States rather than in Canada. Correspondingly, a tight Canada-U.S. agreement would reduce the influence of this factor, and provide an impetus to long overdue investments in some resource industries.

b) Some of those consulted believe that Canada will become a more attractive location for foreign investors should we have secure access to the United States. It was also suggested that if Canada were not to pursue a comprehensive agreement with the United States, this decision would be seen as one in which Canada is opting for a more "parochial" national economic objective, with long run adverse impact on investment flows.

c) Often those opposed to a Canada-U.S. agreement suggested that at worst there would be capital disinvestment in Canada and marginal increases in investment in the U.S. following an agreement. Among the points made, some of which are reported above, is the observation that investment incentives from States and municipalities in the U.S. are very attractive. Those in this category representing subsidiaries of U.S. firms believe that it would be important for their future in the event that they are included in an agreement to have available Canadian investment incentives to counter the weight of the preference for American investment and supply.

d) There is nervousness among a number of Canadian market oriented firms that the capital market in Canada is not adequately organized to provide the access to new investment resources which will be required to