

abroad, and was the location of 58% (more than \$54 billion) of Canadian FDI stock abroad in 1991, down from a 67-68% share in the early and mid 1980s.²³

The U.S. share of foreign holdings of portfolio investment in Canada has significantly declined since the early 1980s, but nonetheless remains the single largest source of such capital, with 38% (\$138 billion) of total 1991 holdings compared to \$58 billion by Japan.²⁴ U.S. financing will remain of critical importance for managing Canadian fiscal deficits well into the foreseeable future. The U.S. is also a dynamic source of new technologies, accounting for close to half of all expenditures within the OECD group on research and development.²⁵ This underlines the importance of ensuring Canadian access on a non-discriminatory basis to innovative technology consortia in the U.S. at the "pre-competitive" stage.

Finally, and despite periodic and sometimes quite sharp trade disputes between Canada and the U.S., the fact remains that only the U.S. among the three major markets has been prepared to negotiate the elimination of most of the remaining barriers to Canadian exports and to secure this access through carefully crafted, binding rules subject to effective dispute settlement procedures - all of which goes beyond what has been achievable multilaterally. In at least partial contrast, the EC has preserved barriers (e.g., tariff preferences with EFTA countries, and a number of important non-tariff barriers related to agricultural and resource-related sectors which the EC has been reluctant to negotiate; the active use of a less than transparent anti-dumping regime to attract investment into member States). For its part, Japan has been reluctant to address resolutely trade issues of central concern to Canada.

Growth prospects for the rest of the decade in the U.S. appear modest compared to rates anticipated in the Pacific Rim and several Latin American economies. Yet, the U.S. has, at least, made a commitment to comprehensive change and integration. We must continue to exploit this policy bias to further Canadian economic interests: whether it be by pursuing additional liberalization related to government procurement practices, by seeking the replacement of anti-dumping procedures with competition policy within the free trade area, or simply by pursuing the on-going management of current disciplines by standing firm whenever the U.S., under pressure from domestic protectionists, occasionally tests the limits of the rules established in the FTA and now strengthened and clarified in the NAFTA. As explored

²³ Statistics Canada, Catalogue No. 67-202 (1992), Table 9, pp. 67-72.

²⁴ Statistics Canada, Catalogue No. 67-202, various years.

²⁵ On a purchasing power parity basis.