

This country report focuses on the investment relationship between the United Kingdom and Canada, and on the types of investments being made by the United Kingdom globally. The data highlight the importance of the United Kingdom as a significant investor in Canada, and suggest the need for additional focus on the country as investment promotion activities are contemplated. This is seen to be necessary in order to bolster investments inflows from the United Kingdom, which have recently been very small by historical standards.

Classified according to its foreign direct investment presence in Canada, the United Kingdom ranks second to the United States, surpassing Japan, which has an economy that is approximately four times larger. Globally, British companies are significant foreign investors, with investment stocks abroad (UK DIA) of more than U.S. \$252 billion in 1993. Stocks of foreign direct investment in the United Kingdom are almost as important, totalling U.S. \$195 billion in 1993. The British economy is currently the fifth largest economy in the world with a GDP of almost US\$950 billion in 1993.

Sluggish growth in the United Kingdom and the global recession of 1990 affected inflows of foreign direct investment in the United Kingdom (UK FDI). A sharp drop in foreign direct investment inflows to the United Kingdom in 1991 resulted in UK FDI being at about half of the 1990 levels for both 1991 and 1992. The extent of the decline is illustrated in Figure UK-1, which outlines both FDI in the United Kingdom and UK direct investment abroad relative to trade. In 1993, inflows of foreign direct investment to the country were U.S. \$13 billion, down from a peak FDI inflow of U.S. \$32 billion in 1990.

Expressed as a percentage of trade levels, outward investment flows relative to trade fell from a peak of about 20 per cent of trade before the recession, to between 12 per cent and 14 per cent by 1993. In fact, UK direct investments abroad recovered quickly from the global economic slowdown of 1990, and by 1993, were approaching the levels that were common prior to the global recession. The ratio of UK inflows of foreign direct investment relative to trade, on the other hand, were still less than half of their pre-recession levels by 1993 (see figure UK-1).