Canada's new business climate is luring foreign investors

INVESTMENT CANADA

A dynamic new investment climate is emerging in Canada as a result of a number of measures introduced by the new government since it took office in September, 1984. Among other initiatives, the government has taken steps to reduce the federal deficit; to eliminate unnecessary and excessive regulations; to simplify the tax system; and to rationalise the various industrial incentive programmes.

Also, the government has introduced new investment legislation, which is specifically designed to encourage and to facilitate investment by Canadians and by non-Canadians.

In effect, the government has cast Canada's economic and investment policies in a new mould, which both encourages private initiative and diminishes government involvement in the market place.

One other factor that has contributed to the marked improvement in the business climate in Canada is the cooperative approach taken by the federal government in its relations with the provincial and territorial governments, and in its relations with the private sector.

Long-standing federal-provincial disputes in the energy sector have been resolved by two recent agreements: the Western Accord, signed with the provinces of Saskatchewan, Alberta and British Columbia; and the Atlantic Accord, signed with the province of Newfoundland.

In addition, the government has undertaken extensive consultations with the private sector on a variety of issues – for example, on the measures that were to be included in the new government's first budget, brought down last May.

New business confidence

Recent surveys confirm that there is a renewed business confidence in Canada. For example, the Conference Board of Canada – a private-sector research organisation – recently reported that 55% of Canadian business executives expect to increase their investment expenditures this year.

A survey by the government's industry department found that large corporations in Canada expect to increase their capital expenditures by 13%. And Statistics Canada – the government's official statistics-gathering agency – recently forecast that capital spending will be nearly 10% higher this year than it was in 1984.

Furthermore, the OECD has forecast that Canada's GNP will grow in 1986 at a rate that will be second only to that of Japan.

International investors are taking a keen interest in these developments. In late August, Salomon Brothers released a bullish report on Canada's investment climate. In particular, the report stressed that the dismantling of the National Energy Programme – introduced by the previous administration – has significantly improved the investment climate, not just in Canada's oil and gas industries, but also in its economy as a whole.

Improved investment climate

As mentioned above, one of the key factors behind the improvement in Canada's investment climate is the governments new investment policy. Under the Investment Canada Act – which came into force June 30 and which replaced the Foreign Investment Review Act – a new Agency, called Investment Canada, was established with the following mandate:

- to review only those investments by non-Canadians that might have an important impact on the economy;
- to encourage and facilitate investment that will lead to economic growth, the introduction of new technology and the creation of jobs; and
- to contribute to the development of policies that will improve the climate for investment in Canada.

The Investment Canada Act is based on the straightforward assumption that investment is beneficial to Canada. In particular, the federal government believes that investment stimulates economic growth, job creation, the introduction of innovative ideas and technologies, and improves the international competitiveness of Canadian industry.

That is why the new legislation requires only a simple notification for the vast majority of investments by non-Canadians, whether they are for the establishment of new businesses or for the acquisition of Canadian businesses.

In fact, the only investments now subject to review are direct acquisitions of Canadian businesses that have assets of more than $5 million; indirect acquisitions of Canadian businesses with assets of more than $50 million; and certain investments under those limits that involve economic activities related to Canada's national identity and cultural heritage – for example, book publishing and the distribution of books or films.

What's more, the new legislation simplifies administrative procedures for the small number of investments by non-Canadians that are still subject