9 Investment

Canada welcomes international investment into Canada and recognizes that Canadian direct investment abroad can be a key strategy for Canadian-based companies that wish to succeed in the global economy. The stock of Canadian direct investment abroad increased from $98.4 billion in 1990 to $445.1 billion in 2004. Over the same period, the stock of foreign direct investment in Canada more than doubled, from $130.9 billion to $365.7 billion.

FOREIGN DIRECT INVESTMENT IN CANADA

FDI is an important determinant of Canadian productivity, contributing to the acquisition of new technologies, higher levels of innovation and R&D activity, and stronger trade performance. In 2004, the United States accounted for $238.2 billion or 65% of FDI in Canada. The European Union represented $91.2 billion or 25% of total FDI. Other significant investors included Japan ($10.6 billion) and Hong Kong ($5.3 billion). FDI assets were mainly in manufacturing (25%), energy and metallic minerals (24%), and finance and insurance (18%).

CANADIAN DIRECT INVESTMENT ABROAD

Canada is a net exporter of capital. In 2004, 43.6% ($193.9 billion) of Canadian direct investment abroad was located in the United States. A further 27% of Canadian direct investment ($118.1 billion) was based in the European Union. Other major Canadian investment locations include the Caribbean, Latin America and Japan. With 45% of the total in 2004, finance and insurance continued to be the largest sector for Canadian direct investment abroad. There were also significant amounts of Canadian direct investment in energy and metallic minerals and in manufacturing, bringing their proportions of the total stock of Canadian direct investment abroad to 22% and 16%, respectively.

CANADA'S INTERNATIONAL INVESTMENT AGENDA

Canadian firms continue to encounter investment barriers abroad, including investment prohibitions, restrictions on the scope of business activity, performance requirements, investment authorizations and residency requirements. Canada's various investment agreements thus play an important role by providing Canadian firms with a predictable foreign investment climate.

International rules do not restrict Canada's ability to regulate in the public interest, as foreign investors must abide by the same laws and regulations (e.g., on health, labour and environment) as domestic investors. The same holds true for Canadian firms present in foreign states.

Bilateral Investment Agreements

Since 1989, Canada has concluded 22 bilateral foreign investment promotion and protection agreements. These agreements assure Canadian firms that the rules governing their investments are bound by certain standards of fairness and predictability. A complete list of Canada's FIPAs can be found at **http://www.dfait-maeci.gc.ca/tna-nac/fipa_list-en.asp**.

In 2004, following a comprehensive review, Canada introduced a new model FIPA. Canada has since engaged in FIPA negotiations with China, India and Peru.

Other Regional and Bilateral Initiatives

The North American Free Trade Agreement investment chapter has served as the basis for the investment provisions in the Canada-Chile Free Trade Agreement and most of Canada's FIPAs.