

how to compete for it. The fact is that investment is a finite pie. More and more nations want a slice.

Canada is facing mounting competitive pressures to attract foreign direct investment not simply because of a growing recognition worldwide of the jobs and technology that such investment can bring, but because dynamic economies in Asia, in Latin America and in Central and Eastern Europe have become such attractive magnets for investors. Although there will always be key sectors and key institutions that must remain in Canadian hands, it is clear that increasingly government's role is as a facilitator, rather than an impediment, to foreign capital.

It was largely in recognition of these changed circumstances that the more stringent review process for foreign investment under the Foreign Investment Review Act - or FIRA - was replaced by the Investment Canada Act in the mid-1980s. The objective now is to promote most types of foreign investment through an active program of marketing Canada as an attractive investment location - an increasingly critical activity when an estimated 9000 other jurisdictions worldwide are touting their own perceived attractions to international business.

More importantly, policy makers have become increasingly conscious of the need to get Canada's economic fundamentals right if we are to retain and expand foreign investment - messages quickly reinforced by the Moodies of this world, if not by the apocryphal 20-something bond trader in red suspenders. After all, firms do not decide to invest in a market simply because of favourable investment regimes. They decide to invest on the natural assumption that they will receive an adequate return on their investment.

Because of this, Canada needs to offer more than an attractive and stable regulatory environment, important though that is. We need to offer fiscal policies that complement our investment goals - and this means continuing to pursue the reduction of deficits and ultimately debt at all levels of government.

The second policy implication of globalized investment is the more radical: that Canada should be encouraging outward - as well as inward - investment if we want to build bridges to the emerging global economy. After all, the same logic that argues for a greater foreign presence in Canada also argues for a greater Canadian presence abroad. For many Canadian firms - particularly those in the service sector - the best way to access a foreign market is to establish an investment foothold in that market.

These firms also want the kind of access to capital and technology that only a direct market presence or more intensive business linkages can bring. And they want to establish production and distribution networks closer to their customers, either through