

Canada moves up fast

IN WORLD COMPETITIVENESS RATINGS 1997

*Attention international investors:
national economic climates have been changing
fast and it's time for a new look at countries'
comparative advantages.*

*Four separate reviews show Canada moving up
through the pack to join
the front runners in terms
of economic health
and competitiveness.*

Foreign investment in Canada keeps rising

In 1996 Foreign Direct Investment (FDI) in Canada grew by \$12.4 billion to reach \$180.4 billion, an 88 per cent increase since 1986. U.S. companies continued to account for the greatest share of existing, foreign-owned assets (68 per cent). Europe placed second with 21.2 per cent (7.9 per cent for the U.K.) and Pacific Rim countries third with 6.5 per cent (3.6 per cent for Japan).

The Economist Intelligence Unit (EIU)

The internationally-respected EIU placed Canada third in a ranking of the business climates of 58 countries. Looking over the millennium horizon, the EIU says that within five years Canada will be one of the top places in the world in which to do business. The factors on which the EIU rates economies include governments' foreign investment and competition policies, taxes, labour market, infrastructure, political stability and market opportunities.

The International Institute for Management Development (IMD)

In its 1997 World Competitiveness Yearbook, the IMD awarded Canada its highest mark yet — tenth place. IMD's analysis covers 244 criteria grouped into eight main factors: domestic economy, internationalization, government, finance, infrastructure, management, science and technology, and people.

The IMF picks Canada as winner for this year and next

The International Monetary Fund (IMF) predicts that Canada will have the fastest-growing economy in the G-7 group this year and next. The Fund forecasts a Canadian growth rate of 3.5 per cent in 1997 and 3.4 per cent in 1998. The IMF also expects that in 1998 Canada will have an improved rate of job creation and a slightly lower (8.8 per cent) unemployment rate, low inflation and the smallest budget deficit of any G-7 country (0.1 per cent of GDP). The Fund attributes Canada's economic vigour to low interest rates, Canada's improving fiscal situation, and rising consumer confidence.

The World Economic Forum (WEF)

The WEF's 1997 competitiveness report shows that in one year, Canada has moved from eighth place to fourth, positioning it just behind the U.S. and well ahead of Germany, Japan, France and the U.K. Two smaller economies, Singapore and Hong Kong, remained in first and second place.

Covering 53 countries, the WEF Report ranks countries on the basis of a wide range of statistical measures, supplemented by information from 3,000 corporate executives throughout the world.

The report defines a country's competitiveness as its ability to sustain a high rate of economic growth in terms of real or inflation-adjusted per capita income.

Particularly interesting to investors is the report's forward range: it focuses not just on the short term, but on a country's ability to sustain a high-growth rate over the next five years.

In ranking countries, the Forum considers 155 criteria under eight main headings including:

- openness to trade and investment;
- the role of government in the economy;
- the quality of banks and financial markets;
- technological strengths, including investment in research and development;
- infrastructure; and
- the soundness of legal, social and political institutions.

According to the survey, Canada's competitive advantages include healthy and reliable banking and legal systems, a favourable exchange rate, political stability, excellent business schools, low-cost long-distance telephone rates, a high rate of computer use and an efficient air transportation system.