

Canada's Need for Investment

- Our smaller market does not generate enough capital to support the major investments required to maintain our international competitiveness. This is not only true in manufacturing and resource development but also in areas of technological innovation. The development of breakthrough technologies today is extremely expensive, and companies need the backing of investors to finance critical development efforts and share R&D costs (i.e., pharmaceuticals).
- In some cases, capital investment must be supplemented by investment in research partnerships. For example, the development of the next generation of microprocessors is a multi-billion dollar project that lies beyond the financial capabilities of any one firm, let alone any Canadian firm. Northern Telecom has abandoned its efforts to develop semi-conductors in-house and is pursuing partnerships with Motorola to develop the chips that it needs. Canadian companies will need to attract international research partners to keep abreast of developments in leading edge technologies.
- In addition, the pace of technological change is now so fast that companies have only a narrow window within which to move from development to commercial exploitation. They need investment in order to accelerate their ability to commercialize innovation, since financing it out of internal operations will be impossible or will simply take too long.
- Canada also needs a healthy inflow of investment to balance its investment outflow. As Canadian companies have grown and prospered, they are investing some of their earnings abroad to support international trade and development activities. Again, Northern Telecom is an excellent example.
The Canadian market will not support a world-class telecommunications giant on its own, so Northern Telecom has moved more of its marketing and manufacturing abroad (while retaining much of its high value-added R&D activity in Canada). This outflow of investment by Northern Telecom is a natural consequence of becoming a successful global firm but the Canadian economy must then attract corresponding inward-bound investment if it is to maintain a healthy and balanced relationship with the global economy.
- Investment can be especially important to Canadian SMEs which need additional capital to develop the production capacity they need to serve competitive foreign markets.

Competing for Investment

- The global pool of investment capital is under increasing demand; international competition for investment has been intensifying over the past decade.
- Governments at all levels are competing for international investment to develop local capabilities and support job creation. There are now literally thousands of jurisdictions competing to attract investors.
- The recent entrance of Soviet bloc economies has dramatically increased the number of countries looking for foreign investment.
- Canada cannot afford to stand still in this contest. Apart from other factors, with NAFTA's likely expansion into Latin America, the business centre of gravity will shift southward and Canada risks being marginalized as an investment target.

What Investors Want

- International investors search for whatever factors will contribute to their company's competitive advantage.
- The definition of what constitutes competitive advantage varies from company to company and depends on the nature of the business. For some firms, access to markets, low labour or energy costs are critical. For others, a favourable tax regime, access to a highly skilled workforce or to sophisticated transportation and telecoms infrastructures is decisive. Each company will have a different mix of features that it considers as vital to its own success.
- Beyond that, investors want stability, a welcoming environment, and a political, legal, social and economic structure that promotes competitive and profitable business.

INVESTMENT MARKETING AND PROMOTION

General marketing and promotion techniques are listed, outlining a wide range of investment development activities, many of them performed at DFAIT's U.S. posts. The techniques cover broadly based or generic promotion, targeted campaigns, partnering and match-making services and servicing of investment enquiries. Also underscored are longer term factors influencing investment such as: research and development and a closer working relationship with the U.S. site selection, relocation and real estate professions.

The following investment development techniques cover activities geared to any general investment