A STRATEGY TO ATTRACT INVESTMENT FROM THE UNITED STATES

INTRODUCTION

The Government's 1996 Investment Strategy

The attraction of investment and technology from abroad has an important contribution to make to the Government's priorities of job creation and economic growth (Jobs & Growth). Globally, as well as in Canada, foreign direct investment (FDI) is growing faster than trade, and increasing amounts of international trade derive from investment-based flows. Today, three jobs out of ten in Canada (direct and indirect), more than 50% of total exports, and 75% of manufacturing exports are directly attributable to FDI in Canada.

Studies suggest that the attraction of one billion dollars worth of FDI into Canada will provide up to 45,000 jobs over a five year period. Canada had some success in the last two years in increasing FDI flows into Canada, and in 1996 FDI grew C$12.4 billion to reach C$180.4 billion, an 88% increase since 1986. Canadian direct investment abroad (CDIA) also registered strong growth in 1996, reaching C$170.8 billion, up C$10.3 billion from the previous year and some 164% since 1986. These figures provide a good illustration of the steady globalization of the Canadian economy.

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However, in spite of these absolute increases Canada's share of global FDI has continued to decline, from 11% in the early 1980's, to 4.0% in 1996*. The main reason for this is that, during the past decade, the stock of FDI in the world increased by over 400%, reaching US$3,200 billion in 1996 – the pie has simply become so much bigger. There has also been increased competition for investment from the developing countries of Asia and Latin-America, and from Europe during the establishment of the common market, which has not been offset by substantial increases in investment in Canada attributable to NAFTA.

Recognizing these trends, and the importance of attracting new foreign investment as a means to create jobs in Canada, the Government adopted a