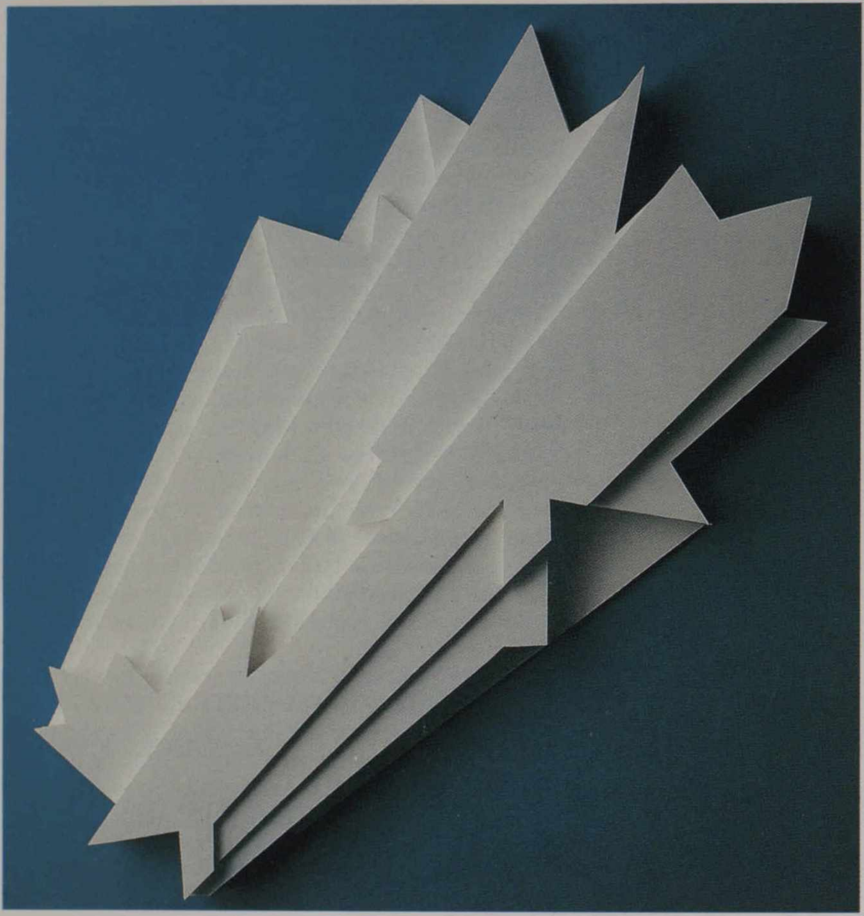
British investment in Canada soars by more than $1 billion



British investment in Canada soared by more than $1 billion (£500 million) in the last six months of 1985, up from the $290 million (£145 million) during the same period in 1984.

That sudden surge is a solid indication that Canada's new welcoming policy towards foreign investment is already having a major effect.

Last year marked the first full year of the Investment Canada Act, introduced in late 1984 by the Conservative government of Prime Minister Brian Mulroney. Under this legislation, investment in Canada is greatly simplified.

Excellent country in which to invest

In many ways, however, the new legislation is merely the icing on the cake. It simplifies and facilitates the process of investment; but by itself it does not justify an investment.

The main reason British investment in Canada has soared to new heights is simply that Canada increasingly is being recognised as an excellent country in which to invest.

It has a strong, diversified economy — the seventh largest in the world in terms of GNP — which recently has been growing at a rate in excess of 4% per year. In 1986, growth is likely to be second only to that of Japan, according to an OECD prediction.

Canadians enjoy an excellent standard of living — GNP per capita is the fourth highest in the world, which gives Canada a domestic market of tremendous purchasing power.

In addition, Canada offers easy access to the huge US market, so that within a day's drive from, say, Toronto or Montreal, there is a market of more than 120 million consumers and factories and plants that generate more than 50% of North America's industrial production.

What's more, this US market *is* being reached. Canada has always been a major trading nation — some 30% of its GDP is made up of exports (compared with 16% for Japan and 10% for the US). And nearly 75% of those exports — worth more than $100 billion — go to the US.

That makes Canada the US's most important trading partner, far ahead of second-place Japan.

Costs lower in Canada

Some 80% of Canadian exports to the US are duty-free and an additional 10% face tariffs of 5% or less, so as far as marketing is concerned, in large measure the border has been all but eliminated. However, for manufacturing, the border is extremely important — because manufacturing costs are considerably lower in Canada than they are in the US.

Hourly manufacturing wages, for example, average $11.59 in Ontario and $10.91 in Quebec. But in the manufacturing state of Ohio they are $15.28, and in Michigan they are $17.04.

Also, the average cost of natural gas for industrial users was recently $3.64 per million BTUs in Canada — at a time when it was $5.96 in the US.

Similarly, the average cost of electricity is $0.043 per kilowatt-hour in Toronto. But in New York it is $0.162, nearly four times more expensive.

Workforce is motivated, adaptable

Canada also appeals to investors because of its highly trained workforce of some 13 million people — people who are motivated, adaptable and willing to learn new skills.

Transportation and communications facilities are among the best in the world. The 'technological infrastructure' is highly developed; it includes technology centres, specialist laboratories, federal and provincial research centres, as well as a strong network of modern universities.

The capital markets are sophisticated — Toronto has the ninth largest stock market in the world (with a lively over-the-counter market to help start-up companies find financial backing); and Canadian banks rank among the biggest in the world (they operate in more than 40 countries and have correspondent links with some 5000 foreign banks).

Finally, Canada is one of the best housed, best educated and most healthy nations in the world. It enjoys a stable political climate, and a free market philosophy that sees government willing to meet the needs of business.