INVESTMENT : QUESTION # 7

Considering the vastly different industrial climate in Mexico, in terms of taxation, labour rates environmental protection, how can Canada remain attractive to foreign capital?

Background:

Based on aggregate data on Canada-U.S. trade during the first 22 months of the FTA in force, Canada has made gains in high-tech and capital intensive industries rather than selling off its resources. Moreover, there has also been a significant turn around in direct investment flows, suggesting that overseas investors see Canada as an increasingly attractive base for their North American operations. In 1988, just prior to the implementation of the FTA, the net direct investment outflow from Canada was $2.5 billion. By 1990, Canada had a net direct investment inflow of $4.3 billion from all countries.

The attractiveness of Canada for foreign investment may change with the inclusion of Mexico in a continental free trade zone. The issue of new investment is especially crucial for Canada as the emerging investment in Mexico will be areas of the U.S. market that were to become accessible to Canada under the FTA. The negotiations will have significant consequences, in particular, with respect to job creation, and trade flows.

RESPONSE:

- CANADA WILL REMAIN ATTRACTIVE TO FOREIGN INVESTMENT IN WITH THE COMPETITION OF MEXICO FOR CAPITAL FUNDS IS DRAWN DUE TO THE OVERALL PRODUCTION INFRASTRUCTURE,AND SUPPLY OF ENERGY, AREAS IN WHICH CANADA HAS SIGNIFICANT ADVANTAGES, PARTICULARLY FOR HIGH SKILLED, CAPITAL INTENSIVE DEVELOPMENT.