

UK companies step up involvement in Canada's growing economy



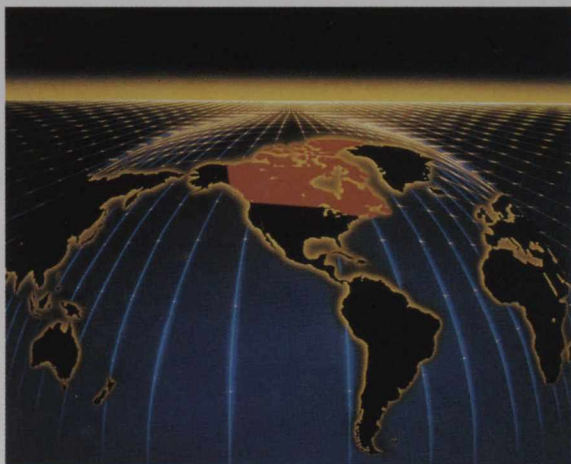
Canada's economy is buoyant, and trade with the UK is on the increase, according to latest trade figures from Statistics Canada. The value of Canadian exports to the UK in the first nine months of last year was up 14½ per cent on the corresponding period in 1986, while Canadian imports from Britain rose by 17½ per cent.

One reason for the rise in Canadian exports is the more competitive Canadian dollar exchange rate when measured against sterling; it has led to higher volumes of Canadian goods being sold in the UK. Another reason is the rise in the number of UK housing starts, which has led to an increased demand for Canadian timber products – up by 40 per cent to £145 million.

A strengthening of metal prices has also worked in Canada's favour. The value of iron ore, iron and steel products, for example, has jumped by 30 per cent to £70 million.

Foreign investors attracted to Canada

Meanwhile, corporate investment in Canada by foreign companies is still rising strongly. 'Foreigners are pouring money into almost every corner of the economy,' according to the *Economist*. Among them are investors from Britain, which is the second largest investor in Canada after the US.



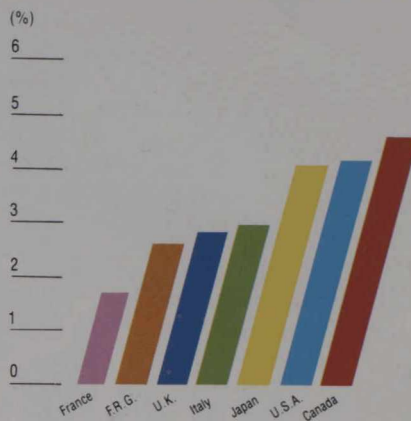
Examples include Allied Lyons, the Financial Times and British Telecom, who not only acquired MITEL but are also injecting more than £25 million into new Research and Development work in Canada.

Recent investment decisions have been made by Japanese and South Korean carmakers, European cement makers and an Australian brewer. A Hong Kong entrepreneur has taken over one of the country's largest independent oil and gas producers, and a New Zealand firm has acquired two leading timber and paper companies.

Why has Canada become – in the *Economist's* words – 'a darling of the international investment community'? One answer is the country's strong economy. Since pulling out of the 1980 recession, Canada has enjoyed the strongest growth rate in the OECD during the period 1983–86.

The country's abundance of natural resources is another attraction. Canada ranks first in the world

REAL GDP ANNUAL GROWTH RATE 1983-1986



Source: OECD Main Economic Indicators

in terms of costs and availability of many raw materials and energy sources. It is the world's leading mineral exporter and one of the largest producers of nickel, silver, asbestos and zinc. Forest-product exports exceed £7 billion annually.

One other attraction – which is not always so obvious – is that Canada has a forward-looking and diversified technological base. The country is one of the world's leading manufacturers with a growing reputation for innovation and high technology. This has come about partly as a result of close co-operation between government, the universities and the private sector.

In recent years, the federal government has gone out of its way to welcome overseas investors. Foreign banks, such as Lloyds, have been allowed to own Canadian financial institutions. Deregulation and privatisation have also opened up new opportunities for foreign firms.

North American free-trade area

A number of foreign companies have also seen Canada as a springboard into the US market. This trend is likely to gain momentum, following the recent signing of an agreement between the two countries to establish the framework of a North American free-trade area.

Already, 80 per cent of Canadian exports go to the US, and Canada is the biggest single market for American exports. Canada also has more than £10 billion invested south of the border, while US investment in Canada totals some £30 billion.

Under the new agreement, duties between the two countries will be phased out in three stages. Some will disappear immediately; some will reduce by 20% a year; while the remainder will fall by 10% annually. There are also rules governing free trade in services.

Although the agreement has been signed by Prime Minister Brian Mulroney and US President Ronald Reagan, it still has to be ratified by the Canadian Parliament and the US Congress. This will enable implementing legislation to be introduced. If there are no hitches, a secure North American market for Canadian manufacturers will be a reality in January 1989.