Strategy for Attracting Investment from Asia Pacific

Introduction

The attraction of investment and technology from abroad has an important contribution to make to Government priorities of economic growth and job creation. 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 foreign direct investment (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 $12.4 billion to reach $180.4 billion, an 88% increase since 1986. Canadian direct investment abroad (CDIA) also registered strong growth in 1996, reaching $170.8 billion, up $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.

However, in spite of these absolute increases, our share of global FDI has continued to decline, from 11% in the early 1980's, to 4.5% in 1995. The main reason for this is that, during the past ten years, the stock of FDI in the world increased by a factor of four from US$700 billion in 1985 to US$2,600 in 1995 - the pie has simply become so much bigger. There has also been increased competition for investment from attractive business opportunities in the developing countries of Asia and from Europe during the establishment of the common market, which have 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 new investment strategy in June 1996, with the following objectives:

- Focus on the world's top five foreign direct investment (FDI) countries - U.S., U.K., Japan, Germany, and France - and Canada's eight investment priority sectors - information technology, life sciences (biotechnology, medical devices and pharmaceuticals), automotive, aerospace, agrifood, forest products, mining, and chemical & petro-chemicals;
- Give emphasis to proactive investment development in other smaller markets;
- Increase international investor confidence in Canada;
- Increase awareness of the advantages of doing business in Canada to serve the NAFTA market;
- Attract new job-bearing international investments to all regions; and
- Facilitate retention and expansion of existing investments.

The June 1996 strategy identified the following five elements of an effective investment program:

- International marketing of Canada's advantages as an investment site;
- Targeting and customized servicing of specific multinational enterprises (MNEs) in priority sectors, through the formation of a new unit named Investment Partnerships Canada (IPC), jointly financed by DFAIT and Industry Canada;
- Assisting an increased number of Canadian small and medium-sized enterprises (SMEs) to grow through international investment partnerships;
- Systematically identifying/dealing with the factors in Canada's investment climate of potential concern to investors;

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