

Since the mid-1980s, Canada has liberalized its investment policies and introduced one of the most open and welcoming environments for FDI to be found anywhere in the world. The federal and provincial governments welcome foreign investment and maintain a number of programs and services aimed at attracting foreign investment, particularly in technology and knowledge-intensive industries. Now, more than 5,500 businesses are operated by investors from 70 countries.

At the same time, Canada's companies are actively increasing their involvement in foreign markets. Canadian capital has been flowing abroad to support exports, market penetration, joint ventures and other forms of business activity.

Table 1.2 summarizes Canada's international investment position at the end of 1994. It includes both direct and portfolio investment. Direct investment involves ownership of businesses with real property, equipment, proprietary technology and employees. Portfolio investment refers mainly to holdings of foreign currency, bonds and stocks.

TABLE 1.2
Canada's International Investment Position, 1994
 (in \$ millions)

Foreign investment in Canada	
Foreign direct investment in Canada	\$148,038
Portfolio holdings: Canadian bonds	\$300,797
Portfolio holdings: Canadian stocks	\$25,323
Portfolio holdings: Canadian money market	\$47,530
Other debt	\$35,025
Canadian banks: net foreign current liabilities	\$40,652
Other liabilities	\$40,217
Total foreign investment in Canada	\$637,581
Canadian investment abroad	
Foreign direct investment abroad	\$125,247
Portfolio holdings: foreign bonds	\$18,637
Portfolio holdings: foreign stocks	\$59,774
Other debt	\$2,701
Non-bank deposits	\$21,340
Other claims (inter-company)	\$36,319
Government of Canada international reserves	\$14,886
Government of Canada foreign loans	\$28,517
Allowances*	(\$11,518)
Total Canadian investment abroad	\$295,902
Net Canadian external investment position*	(\$341,679)

* Figures in parentheses are negative numbers.

Source: Statistics Canada, *Canada's International Investment Position, 1994*, Catalogue No. 67-202.

By the end of 1994, the total stock of foreign direct investment in Canada was almost \$150 billion, while Canadians have invested about \$125 billion abroad. Foreign direct investment has made a major contribution to Canada's industrial development, high standard of living, and excellent commercial ties to the U.S. and other foreign markets. For their part, Canadian firms have steadily increased their direct investments abroad over the past decade. This trend reflects the increasingly international orientation and global business strategies of Canadian companies.