



3. Investment

There is no doubt today that foreign direct investment (FDI) in Canada and Canadian investment abroad have joined the international trade in goods and services to become our principal engines of growth and job creation. The stock (book value) of FDI in Canada reached \$188 billion in 1997. At the same time, CDIA increased to \$194 billion in 1997 and exceeded foreign direct investment into Canada for the second year in a row. Now more than ever, it is important for Canada to work toward achieving a fair, open and secure environment for international investment both at home and abroad.

Foreign direct investment has increased throughout the world at a dramatic rate, outpacing the growth in international trade and GDP by a wide margin. Inflows and outflows of FDI, both in the \$400 billion US range, set a new global record in 1997, while the world stock of FDI reached an estimated US\$3.5 trillion. Investment flows to developing countries are increasing rapidly and now comprise almost 40 percent of global FDI flows.

Foreign investment in Canada has over the years been an important source for jobs, especially high-skilled jobs, and has brought with it other advantages in research and development, technology and talented people. These have all made real and lasting contributions to our economic and social well-being. An economic forecast prepared by Industry Canada and Foreign Affairs and International Trade estimates that each \$1-billion increase in new inward investment to Canada can generate up to 45,000 jobs and \$4.5 billion GDP over a five-year period. This study also postulates that one job in ten and approximately 50 percent of Canada's total exports derive from FDI. It should be further noted that a large proportion of profits from new investments is reinvested in Canada, contributing to a higher growth rate and a rise in Canadian living standards.

Canada has an affluent domestic market, a highly-skilled and well-educated labour force, efficient transportation systems and a telecommunications infrastructure which is the envy of the world. The Canadian private sector is competitive and knowledge-intensive, especially in telecommunications, biotechnology, computer software (including encryption capabilities), medical devices, pharmaceuticals and ocean technologies. Our excellent health-care