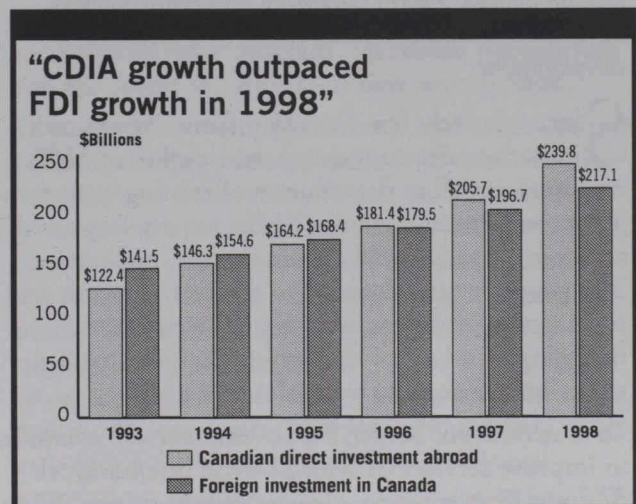


As a result of this recognition of international investment, Canada's formal investment rules have been liberalized. Canada has been a leader in promoting international rules for investment. These rules would protect Canadian investors and remove foreign barriers to investment in a variety of international fora. Investment policy initiatives will therefore continue to focus on making the Canadian environment attractive to investment, and on providing access and protection for Canadian investors abroad.

The planning environment is dominated by such considerations as:

- Canada's falling share of both inward- and outward-FDI in the face of increased competition;
- an incorrect perception abroad of Canada's competitiveness (according to the KPMG study, *The Competitive Alternatives: Comparison of Business Costs in North America, Europe and Japan*);
- the need for more effective marketing tools to promote Canada's strategic partnerships and technology flows associated with FDI and productivity;
- cost-sharing and coordination between federal and provincial governments, municipalities and the private sector;
- unprecedented pressures on delivery capacity at embassies and consulates abroad.

The challenge is to make Canada a location of choice for new business investment in the NAFTA region. Global Product Mandates (GPMs), under which subsidiaries undertake a range of activities for the world market, are fundamental to the long-term growth prospects of TNCs – and are becoming increasingly common as operations are rationalized and merged. Securing and maintaining GPMs is a critical factor to reversing the erosion of FDI into Canada. This strategic thrust can also be bolstered by the federal government's communications efforts seeking to inform investors of Canada's economic renewal, and the extent to which Canada's international competitiveness continues to improve, for example as highlighted by KPMG's annual study of business costs among G-7 countries.



Source: DFAIT/Trade and Economic Analysis Division (EET)