

world-class educational and health system for all Canadians. Canada welcomes foreign investment and its associated benefits for economic growth, employment and broadening of the tax base.

The stock of Foreign direct investment in Canada rose to about \$358 billion in 2003, up by \$8.6 billion over 2002. The United States, Europe and Asia all increased their FDI in Canada, with investment from the United States totalling over \$228 billion, or 64% of total FDI in Canada.

Canada faces a serious challenge in continuing to attract FDI. In the past decade, Canada's share of NAFTA's inward FDI stock has declined by about a third, from 21% in 1990 to about 14% in 2003. Canada's share of global inward FDI stock also fell by half during this period, from 6% to 3%. Canada's share of global inward FDI did, however, remain slightly higher than our share of world GDP. The competition for FDI globally is likely to intensify further, especially from emerging markets such as China, India and Brazil. Those countries have emerged as magnets for FDI following a wave of trade and investment liberalization and privatizations, bolstered by the availability of labour and low production costs.

## *Canada's International Investment Agenda*

Foreign investors in Canada already enjoy a long tradition of regulatory fairness and the strong legal protections available under Canadian law. Canada's commitment to international investment rules further reassures investors that Canada offers a fair, secure and predictable environment. While such rules aim to attract foreign investment into Canada, they also serve to protect Canadian investors abroad. Canadian businesses have been actively investing abroad and making foreign acquisitions. Providing investors with protection from arbitrary and discriminatory actions is important: it promotes a stable and secure environment for international investment, which in turn facilitates innovation, productivity and prosperity, both at home and abroad.

Today's globalized economy is increasingly based on the more intangible output of services firms, and it is to a large extent dependent upon international capital flows. A fundamental characteristic of this new economy is that it relies more and more on the creation, purchase and transfer of capital and knowledge. In addition, the growing importance of positioning within global value chains has increased competitive pressures—and opportunities—for Canadian firms in the marketplace.

Recognizing the keen competitive environment for international investment, the Government of Canada seeks to showcase Canadian economic strengths and attributes to an international audience of potential investors, site selectors, media and business influencers. The government engages its posts around the world, as well as its partners from all levels of government, in raising awareness of Canada's innovative business climate and business clusters. It also participates in various activities aimed at promoting investment and ensuring that decision makers receive the sector-specific information they need to consider Canada as a business location. Key promotional activities include the Business Leaders Initiative and presence at world-class signature events. In addition, government representatives meet with targeted CEOs of transnational firms to highlight business opportunities in Canada.

Canada is pursuing and is party to various agreements establishing a framework of rules and disciplines that provide investors with a predictable, rules-based investment climate, as well as dispute settlement procedures designed to provide timely recourse to an impartial tribunal. Such rules do not jeopardize our sovereignty or threaten our economic or social values. All levels of government are still able to legislate and regulate in the public interest. Foreign investors are subject to the same laws and regulations as Canadian investors—including those aimed at protecting the environment and ensuring high labour, health, building and safety standards—just as Canadian investors are subject to the laws of the foreign states in which they invest.