Government renews investment funding for Canadian communities

Minister of State (Infrastructure) and Minister responsible for Canada Mortgage and Housing Corporation Andy Scott, on behalf of Minister of International Trade Jim Peterson, announced last month the renewal of the Government of Canada's program to attract and retain foreign direct investment in Canadian communities.

The Community Investment Support Program (CISP), formerly the Program for Export Market Development - Investment (PEMD-I), will be in place for another five years, funded by up to $5 million per year.

"Communities are engines for economic growth and key to Canada's ability to compete effectively in the 21st century," said Minister Peterson. "I am proud to announce the renewed funding of this very successful initiative. The CISP will continue to help our cities and towns compete for investment and talent from around the world."

"Communities like Fredericton are the building blocks of this nation," said Minister Scott. "The CISP will ensure that municipalities from coast to coast will have the ability to foster innovation and economic growth in their own part of Canada."

Under the CISP, communities can apply for up to 50% in matching funds to assist in the development and execution of local investment attraction strategies. Applications are evaluated according to their quality and innovation, anticipated economic benefits and the level of public-private sector partnership.

In addition to funding renewal, Treasury Board approved enhancements that will better serve clients. These include a more streamlined application process and a renewed commitment to the audit and reporting function that

continued on page 5 — Funding

Canada-EU trade

— continued from page 1

61.3% of world capital flows, while the U.S. is at about 20% and Japan is at around 5%.

Many well-known Canadian firms are household names in Europe: **Alcan**, **Bombardier** and **Magma International** each have 10 plants in Germany alone. Some 50% of Alcan's business is in Europe, compared with 35% in North America. Bombardier and **Nortel Networks** are the largest employers in Northern Ireland. Some 50% of EU Internet traffic is carried on Nortel equipment.

Investment is becoming the driving force in Canada's relationship with the EU. Foreign direct investment (FDI) from the EU into Canada grew from $35 billion in 1992 to $102 billion in 2002. This represented almost 14% of all inflows in 2002. Canadian FDI in Europe (overwhelmingly in the EU) grew even faster: from $23 billion in 1992 to $120 billion last year—an amazing fivefold increase. Over 30% of total Canadian FDI in 2002 went to the EU.

Such commercial relations could not have been developed without the creation of communications channels or without the implementation of a number of bilateral instruments for managing trade relations.

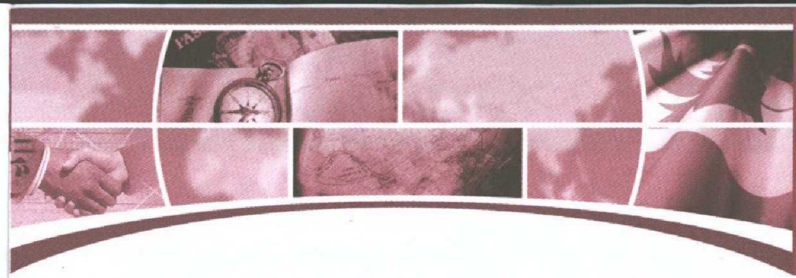
The Canadian Minister of International Trade has met frequently with the EU Commissioner for Trade to discuss customs, competition policy, science and technology, wine and spirits, trapping, veterinary inspections and mutual recognition of certification and testing of products for standards purposes.

In the private sector, Canadian and EU companies participate in the Canada-Europe Round Table for Business (CERT), an independent association established in 1999. CERT focuses on policy issues in the bilateral trade and investment relationship. CERT usually meets with Canadian and European trade ministers on the margins of the Canada-EU summits.

Canada and the EU have agreed to develop a voluntary framework for regulatory cooperation, building on the *Joint Action Plan: Canada-EU Regulatory Dialogue and Cooperation.* Adopted at the May 2003 summit in Athens, the plan aims to improve regulations and ensure they do not result in unnecessary barriers to trade and investment.

It is expected that negotiations on a wide-ranging Trade and Investment Enhancement Agreement (TIEA) will start in 2004. This new agreement is intended to move beyond traditional market access issues and would include areas such as trade and investment facilitation, science and technology, financial services and regulatory cooperation.

Canada-EU trade relations are improving rapidly. These efforts to strengthen commercial ties are signs of economic vitality that indicate a willingness to enhance growth even further. Clearly, Canada and the EU are energizing their well-established partnership, which promises a bright economic future.



S U P P L E M E N T

CanadExport

Canadian Trade Review

A Quarterly Review of Canada's Trade Performance

First Quarter 2004

This review reports on Canada's continued economic growth in the first quarter of 2004, and highlights our trade and investment performance in key sectors and markets.

Export Expansion and Consumer Spending Underpin Economic Growth in the First Quarter

The Canadian economy continued to grow in the first quarter of 2004, as real gross domestic product (GDP) expanded by 2.4% (annualized)[1] —somewhat less than the 3.3% growth the previous quarter.

South of the border, preliminary estimates indicate that US GDP expanded by 4.4% in the first quarter, up from 4.1% in the previous quarter.

Growth in Canada's other major markets in the first quarter varied: in the EU it was 2.4%, while in Asia both Japan and China registered very high growth rates of 5.6% and 9.8%, respectively (the latter comparing first quarter GDP with the same quarter a year earlier).

Canadian growth in the quarter was boosted by surging consumer spending - including continued strength in new private housing investments - assisted by recoveries in exports and business investments.

Growth performance was, however, uneven over the quarter - after remaining essentially flat in January and February, most of the economic gain was recorded in March.

Output in manufacturing registered its second consecutive quarterly expansion, following a four-quarter slump. These gains helped bring manufacturing back to levels comparable to those registered at their peak at the height of the technology boom in the fall of 2000. Corporate profits reached a record high in the first quarter, based on improved results in energy, manufacturing, and public utilities.

Exports of goods and services expanded by 14.9% in the first quarter. The strong export performance was largely underpinned by surging energy exports, as energy prices recovered in the quarter, and also by increased exports of industrial goods and machinery and equipment.

Similarly, imports of industrial goods, as well as machinery and equipment, expanded in the first quarter. However, a decline in imports of automobile vehicles and components helped to limit overall import growth to 2.6%.

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates First Quarter 2004 over Fourth Quarter 2003	
Real GDP *(annualized)*	2.4
Employment *(quarterly increase, level)*	-10,300
Rate of Unemployment *(quarterly average)*	7.4
Consumer Price Index *(first quarter 2004 over first quarter 2003)*	
All Items	0.9
Core *(excludes food and energy)*	1.3
Canadian $ in U.S. funds *(average for quarter, level)*	0.7589
Exports of Goods and Services *(annualized, current dollars)*	14.9
Imports of Goods and Services *(annualized, current dollars)*	2.6

Source: Statistics Canada

Overall, a substantive improvement in the goods trade balance overshadowed smaller deteriorations in the services trade balance and the balance on investment incomes to improve the current account balance by $11.3 billion in the first quarter.

Although the creation of full-time jobs in Canada continued in the first quarter of 2004 (up 39,800), this job expansion was more than offset by a reduction of 50,100 part-time jobs, for a net loss of 10,300 jobs in the quarter. Nevertheless, the average unemployment rate for the quarter fell to 7.4% from 7.5% the previous quarter.

Inflation continued to decline over the quarter, falling to 0.9% from 1.7%. Similarly, core inflation declined from 1.9% to 1.3%.

The Canadian dollar broke the previous upward trend vis-à-vis the American dollar and registered a modest 0.1% decline in the first quarter—the quarterly average value of the "Loonie" was 75.89 US¢.

1 To make quarterly data comparable to annual data, the quarterly figures for trade in goods and services are adjusted for seasonality and are expressed at annual rates by raising them four times, i.e. seasonally adjusted annual rates - s.a.a.r. All figures, with the exception of investment figures, are expressed on an s.a.a.r. basis, unless otherwise noted.

Prepared by the Trade and Economic Analysis Division (EET)

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