

New Zealand investment in Canada is significant, considering the relatively small size of the population

both directions, with Australian investment in Canada approaching \$2 billion while Canadian investment in Australia approaches \$5 billion. Almost half of Australia's investment in Canada is in metals and mining, 22% in food and beverages, and 18% in transportation and communication. Experience suggests that significant greenfields projects outside of the minerals and resource sectors are unlikely, and interest is more likely to be on a smaller scale or of the acquisition type. Australian FDI is linked to market acquisition and to a lesser extent technology acquisition. Australian business seeks investment for industry specific reasons. In the other direction, nearly 50% of Canadian direct investment is in the minerals and energy sector, 20% in manufacturing and 11% in agriculture and forestry. An increasing number of Canadian companies in a variety of sectors have also chosen to make Australia the site of their regional HQ operations. Several such firms fall into the SME category and are following in the footsteps of larger, earlier investors such as Nortel, TD Bank, and McCain Foods.

Although New Zealand is a much smaller market and is not as richly endowed in natural resources as Australia, many Canadian companies have found it to be a profitable market for their goods and services as well as for investment. The business community is fully supportive, and it has been the policy of the current government to welcome and encourage foreign investment without discrimination. Although approval is required for all investments exceeding NZ\$10 million or investments of any size in rural land or commercial fishing, nearly all applications are approved. Moreover, foreign-owned firms may participate in government financed or subsidized research and development programs on a national treatment basis.

New Zealand investment in Canada is significant, considering the relatively small size of the population, and despite strong competition from the USA as an investment destination. One company has the largest share of a \$2-3 billion investment in the pulp and paper industry in British Columbia and a \$500,000 investment in oil and gas in Alberta and Saskatchewan. Canadian investment in New Zealand has increased markedly in recent years and is estimated to be about \$1 billion. Our investments are in areas as diverse as information technologies, energy, broadcasting, food processing, and distilling.

Business alliances, such as joint ventures, are now an increasingly frequent element of Canada's commercial relationship with Australia and New Zealand. In some cases, Canadian firms are seeking help to access other countries in the Asia-Pacific region. Conversely, there are opportunities for working with Australian and New Zealand firms seeking Canadian partners as conduits to markets in the Americas. Economic cooperation agreements signed with both countries offer scope for stimulating business alliances, especially for SMEs.

Sectoral interests and linkages

Partnering opportunities are good in informatics, telecommunications, mining and mining services, oil and gas, biotechnology and health care technologies, entertainment industries, environmental goods and services, and distance education.

Challenges

The main challenges in developing investment linkages with Australia and New Zealand are to:

- convince Australian and New Zealand firms of the advantages of investing in Canada, bearing in mind that Asia and, to a lesser extent, Latin America offer an economic environment that is becoming more and more attractive to potential antipodean investors;
- identify opportunities for business alliances, such as joint ventures, licensing agreements, that can increase exports and investment;
- promote the use of Canada as a base for regional operations in North America by offering comparative advantages over the United States;
- influence the perception of high-level corporate contacts in Australia and New Zealand, with respect to the business climate in Canada generally and particularly with respect to government trade and economic policies and programs.