Canada's Investment Regime

Canada has a relatively open investment regime, which compares well internationally. Under the Investment Canada Act, a notice or an application for review must be filed for all acquisitions of existing Canadian businesses or establishments of new Canadian businesses. Reviewable transactions are approved by the minister responsible for the Act, once that minister is satisfied that the investment is likely to be of net benefit to Canada.

In 2003, direct acquisitions of Canadian businesses by WTO members were subject to a review threshold of $223 million. This amount is adjusted annually based on changes in nominal gross domestic product. Direct acquisitions by non-WTO investors of Canadian businesses with assets of $5 million or more are reviewable. In addition, indirect acquisitions are also subject to review if the assets of the Canadian business are at least $50 million or if the assets are between $5 million and $50 million and represent more than 50% of all assets being acquired.

The acquisition of a Canadian business involved in cultural industries, financial services, transportation services or uranium production is subject to the lower thresholds regardless of the nationality of the investor or vendor. Acquisitions in cultural industries (i.e., publication and distribution of books, magazines, newspapers, videos, music recordings, etc.) and the establishment of new businesses in these cultural industries may be reviewable, if the government elects to ensure that there is a "net benefit" to Canada.

In the area of financial services, Canada does not maintain foreign ownership restrictions for banks. Acquisitions of Canadian banks are linked to the new size-based ownership regime, which came into force in October 2001. Under the new rules, no single person (Canadian or foreign) may acquire more than 20% of the voting shares or 30% of the non-voting shares in a large bank (i.e., a bank with equity of $5 billion or more). For medium-sized banks (i.e., banks with equity between $1 billion and $5 billion), individual shareholdings are allowed up to 65%, provided that at least 35% of voting shares are listed and traded on a recognized exchange and are widely held. Small banks (i.e., banks with equity of less than $1 billion) have no ownership restrictions other than a "fit and proper" test.

The Investment Canada Web site provides guidelines on the application of the Investment Canada Act (*www.investcan.ic.gc.ca*). Canada has long been a supporter of a rules-based (rather than power-based) approach to international trade and investment, and it seeks to encourage the investment regimes of other countries to adopt Canada's level of openness.

jobs and economic growth. Foreign direct investment provides capital, new ideas, new technologies and innovative business practices.

In 2002, the United States accounted for $224 billion or 64% of total foreign direct investment in Canada. The European Union represented $103 billion or 29% of total foreign direct investment in this country. Other significant investors included Japan ($9 billion) and Hong Kong ($5 billion). In 2002, the major recipient sectors for foreign direct investment flows into Canada were energy and metallic minerals (23%), followed by finance and insurance (19%), and machinery and transportation equipment (14%).

Canada's International Investment Agenda

Investment rules play an important role in protecting and facilitating the foreign investment activities of Canadian firms. Canada is a medium-sized economy, whose current and future prosperity depends on open markets, a stable trading environment and a fair and impartial means of settling trade disputes. Investment rules offer a greater measure of security for Canadian