

"There's no doubt that the FTA had a lot to do with Laporte's interest in Terochem," says Terochem's founder, Gerard Tertzakian. "It gives their Canadian-made products tariff-free access to the U.S. market, but enables them to locate in Canada. They prefer the Canadian way of doing business, the cultural affinities to the U.K., as well as the Canadian regulatory and legal climate."

Northern Charms

With the larger continental market delivered through the free trade agreement, investors are feeling emboldened to take a second look at the dollars-and-cents reality of an investment in Canada. Profitability is frequently higher, and business costs are often lower in Canada than in the U.S.

In 1988, Canadian pre-tax corporate profits were 10.4 per cent of GDP, compared to 6.3 per cent in the U.S. After-tax corporate profits in Canada were 7.3 per cent in 1988, while in the U.S. they were 3.4 per cent.

This enticing profit picture is part of an overall, dramatic strengthening trend in the Canadian economy. From 1983 until 1988, Canada's GPD grew at an average annual rate of 4.7 per cent — a faster rate than that recorded by any other major industrialized country. Despite a slowing trend in 1989, business investment continues to show strength, stimulating a seventh consecutive year of growth.

As for traditional business costs, recent surveys and studies show lower rates in Canada than in the United States for energy, leased office space, and total compensation costs. As recently as a decade ago, Canada was gaining a reputation in some circles for high labour costs. However, after adjusting for exchange rates, average hourly earnings in manufacturing are actually less in Canada than in the United States. And because of Canada's universal health care and pension plans, employers face lower fringe benefit costs in Canada than in most U.S. centres.

Canada's Investment Development Program

Canada has made an abrupt, even startling, about-face in attracting foreign investment. From a net outflow of \$2.8 billion in 1985, Canada has reversed direct investment flows to a net importer position of \$5.1 billion in 1988. And the trend continued in 1989, although at a slightly reduced level.

This dramatic turn-around has been largely due to the efforts of the Investment Development Program (IDP), launched in 1985 by the Canadian government to improve the economy by stimulating investment. Initially, its purpose was to get the message out that "Canada was open for business." Indeed, the program has been fruitful: the world perception of Canada as an attractive investment destination is continually growing.

Today, Canada has successfully proven that it welcomes foreign investment. As a result, the IDP's role has become much more focused. Now, it actively promotes investments in the form of joint ventures, strategic partnerships and technology transfers. The program's ongoing challenge is to promote investment opportunities that will make Canada more innovative and internationally competitive.

To identify Canada's business and investment priorities, the IDP works closely with the federal government department of Industry, Science and Technology Canada, as well as with provincial and regional governments. Its promotional initiatives, for the most part, use techniques that support focused, targeted contact with selected

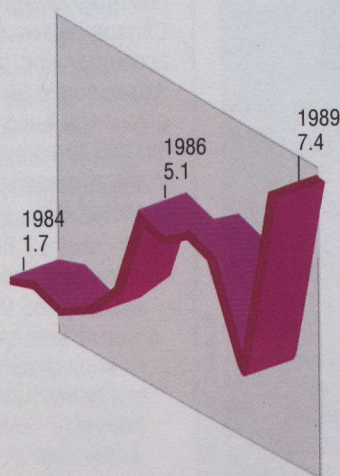
companies or groups of companies. These include corporate visit programs, direct mail and telemarketing, participation in exhibitions and investment missions.

At the outset, the IDP originally gave priority attention to investments from the U.S., the U.K., France, West Germany and Japan — the sources of 95 per cent of total direct foreign investment in Canada in 1985. But today, the program reflects the proliferation of many other investment sources. Now, the IDP has expanded into additional European and Pacific Rim countries and the Middle East. In fact, non-traditional sources now account for the highest growth trends of foreign investment in Canada.

The IDP operates through External Affairs and International Trade Canada's missions abroad, with dedicated offices in London, Paris, Bonn, New York, Los Angeles, Tokyo, Hong Kong and The Hague. In total, there are now 43 missions worldwide actively promoting investment.

Today, overall investment can be seen as a reflection of the efforts of the IDP and various agencies, together with the economic attractions of Canada. Says Canada's Minister for International Trade John Crosbie: "I think it is a testament to our efforts, and recognition abroad of Canadian economic performance and prospects, that we have attracted record foreign direct investment inflows into Canada since 1985."

Gross Flows of Foreign Direct Investment to Canada, 1984-1989
(\$ billions - half-year totals)



Source: Statistics Canada