

Canada has a vested interest in keeping the flow of trade and investment strong. The value of Canadian direct investment abroad increased more than fourfold between 1990 and 2003, from \$98.4 billion to almost \$400 billion. In addition, in 2003 Canada had a stock of foreign direct investment (FDI) amounting to \$358 billion. This, in turn, generates higher levels of innovation, productivity, jobs and growth of the Canadian Economy.

Canadian Direct Investment Abroad

Canadian businesses know that if they are to prosper, they must compete for capital and market share in the international knowledge-based economy. Canadians are responding to this challenge by building some of the most competitive and innovative companies in the world. In this dynamic economic

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CANADA'S INVESTMENT REGIME

Canada is consistently cited as an attractive place to invest. The Economist Intelligence Unit recently ranked Canada as the best country in the world in which to conduct business over the next five years (2004–2008), up from second place in the last period (1999–2003). Canada attractiveness was also noted in the 2004 United Nations Conference on Trade and Development *World Investment Report*. In one of the surveys conducted for the report, executives at transnational corporations and economic experts ranked Canada third behind the United States and the United Kingdom as a top destination for foreign direct investment among developed countries. Canada also remained high on the list of economies with high potential to attract foreign direct investment (it ranked fifth).

Further evidence of Canada's desirability as an investment destination comes from the 2004 KPMG study of international business costs in 11 countries in North America, Europe and the Asia-Pacific region (published in *Competitive Alternatives: The CEO's Guide to International Business Costs*). For the fifth time in a row, Canada took top honours with the lowest recorded business costs and a 9% cost advantage relative to the United States. When the results were broken down by municipality, Canadian cities were all more cost-competitive than any of those south of the border.

Furthermore, Canada was the most cost-competitive country in 9 of the 17 industry sectors studied, showing significant advantages over other countries in the following industries: biomedical research and development, clinical trials and back office/call centres. Canada was also singled out for having significant labour cost advantages relative to the United States. These findings, coupled with our strong economic fundamentals and our close trading relationship with the United States, indicate that Canada is an ideal location for international investors seeking to serve the North American market.

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