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**AN INVITATION FROM JOHN C.  
CROSBIE, CANADA'S MINISTER FOR  
INTERNATIONAL TRADE**

*Canada abounds in opportunity. The purpose of this booklet is to introduce readers around the world to a "new look" Canadian economy. In all our varied regions, businesses are feeling the stimulating effect of the Canada-U.S. Free Trade Agreement (FTA). It will progressively expand Canada's markets by removing limitations on trade and investment.*

*Investors from outside the country will find excellent prospects. I invite you to consider the points described in these pages and then to address any inquiries to your nearest Canadian embassy, high commission or consulate. They will be pleased to provide general information on the FTA or answer specific questions on investing in Canada.*

*John C. Crosbie*

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Dept. of External Affairs  
Min. des Affaires extérieures

OCT 25 1989

# CANADA- GEARED FOR GROWTH

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**F**oreign investors who have traditionally been attracted to Canada's growth and security will now find that Canada is an increasingly profitable place for manufacturing and distribution investments, with recently enhanced access to rewarding North American markets.

**T**he newly enacted Free Trade Agreement between Canada and the United States is sweeping away trade and investment barriers and now makes possible secure access to markets within the United States from a base in Canada.

## A secure, dependable and growing investment climate

The importance of the North American market of over 260 million people and the advantages of access to that market have been appreciated by both Canadian and non-Canadian companies. Major Canadian firms such as Magna International and Northern Telecom have made their presence felt in the North American market, as have companies representing such diverse industries as food processing (the Weston Group and McCain Foods); transportation equipment (Bombardier); building products (Genstar and MacMillan Bloedel); and real-estate development (Olympia and York).

**I**nternational companies such as Michelin Tire, Toyota and Hyundai have established Canadian plants to manufacture parts for North American or

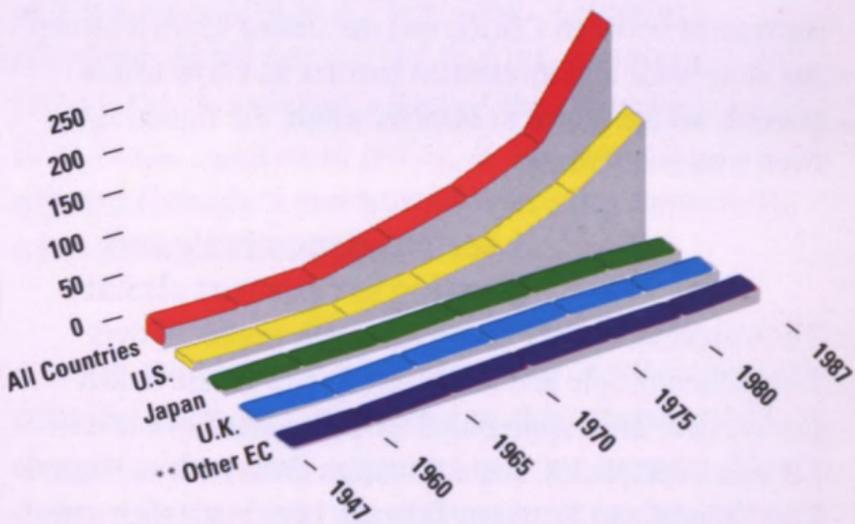
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world markets. Companies such as Philips and Xerox manufacture products in Canada for international destinations.

**T**hese firms and many others recognize that the investment climate in Canada is healthy, polished and sophisticated. Canada has been known for a wealth of natural resources, low energy costs, a highly skilled and educated workforce, and financial services of international calibre. To these inherent advantages, Canada

### CANADA'S MERCHANDISE TRADE\* — 1947-1987

*Billions of Canadian Dollars*



\*Sum of imports and domestic exports; up to 1975, not including gold.

\*\*Up to 1972, EC includes Belgium, France, West Germany, East Germany (through 1952 only), Italy, Luxembourg, and the Netherlands. After 1973, EC also includes Denmark and Ireland, and in 1987, only, Portugal and Spain are included. The U.K., which joined the EC in 1973, is counted separately.

Source: Statistics Canada.

has added an advanced economy with a strong capital base and has become the home of advanced technologies. One of the world's most extensive and sophisticated transportation systems links Canada with world markets. The cost of labour, land and buildings in Canada is attractive for investors who seek to minimize costs. Canadian cities provide an attractive living environment. In addition, the nation has acquired a well-deserved reputation for tolerance, welcoming and accommodating various nationalities, religions and ethnic groups.

**T**hat solid business base and the climate for financial gain are enhanced by a powerful and highly developed economy. Since 1984, the real growth of the economy has placed Canada, along with Japan, in the lead among nations in the Organization for Economic Co-operation and Development (OECD). Employment growth has recently led that of OECD nations, and unit labour costs have shown a consistent decrease, the best performance among major OECD nations. Corporate profits have been strong, and real business investment rose 9 per cent in 1987. An even greater rate of growth is predicted for 1988.

**I**t may surprise some, but U.S. merchandise trade with Canada exceeds that with Japan. Canada-U.S. merchandise trade amounted to C\$170 billion in 1987, and the trend has been upward. Service exports to the U.S. recorded a 58 per cent gain over the past five years. Business services increased by 62 per cent, travel by 83 per cent, and freight and shipping by 20 per cent.

**W**hile most of Canada's trade is with the United States, there are significant transactions with Japan, the European Community, and other countries.

**C**anadian industry has shown outstanding growth in a number of fields, including communications, industrial goods, machinery, equipment, consumer goods, aircraft and other transportation equipment, and biotechnology.

### **BENEFITS FOR INVESTORS**

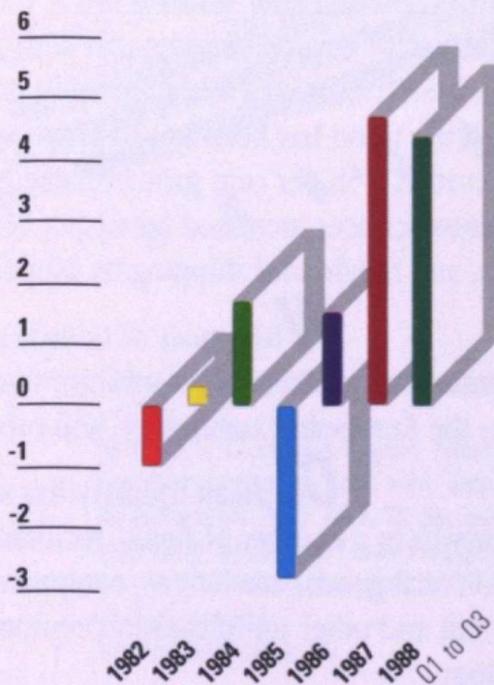
International businesses have been investing record levels of capital in Canada and have been receiving record level dividends. Recent surveys of foreign investor opinion by the Conference Board of Canada and the 1986 Kanao Mission of Japanese business leaders have reported on the positive changes in the perceptions of foreign business leaders regarding Canada's investment climate.

### **Secure market access for investors**

The Free Trade Agreement now adds the attractiveness of a secure market of over 260 million people. More than 150 million live within a day's trucking distance of Toronto or Montreal.

### **FOREIGN DIRECT INVESTMENT IN CANADA**

*Billions of Canadian dollars*



Source: Statistics Canada.

**F**or those who plan to invest in Canada, these facts add up to unprecedented long- and short-term advantages.

**T**he Free Trade Agreement provides new and highly inviting opportunities for investors, including:

- more secure access to the U.S. market
- freer trade in services
- liberalized conditions for cross-border investments

In turn, these changes are resulting in:

- a more flexible and innovative Canadian economy
- a boost in Canadian real income
- lower cost of intermediate goods imported from the U.S.
- the exploitation of economies of scale
- lower consumer prices
- an expectation of 120 000 net new jobs by 1993

### **PROVISIONS OF THE AGREEMENT**

Under the Free Trade Agreement, investors benefit from the principal provisions for tariff removal, a substantial reduction in non-tariff barriers and a trail-blazing extension of rules into such areas as trade in services.

**T**he agreement took effect on January 1, 1989. At that time, tariffs were completely removed on about one-sixth of dutiable bilateral trade, including items such as computers and fresh frozen fish of Canadian or American origin.

**A**t the same time, tariffs were reduced (by 20 per cent) on an additional one-third of dutiable-traded goods, including machinery, paint, furniture, paper and paper products, hardwood plywood, petroleum and after-market auto parts. Each succeeding year on

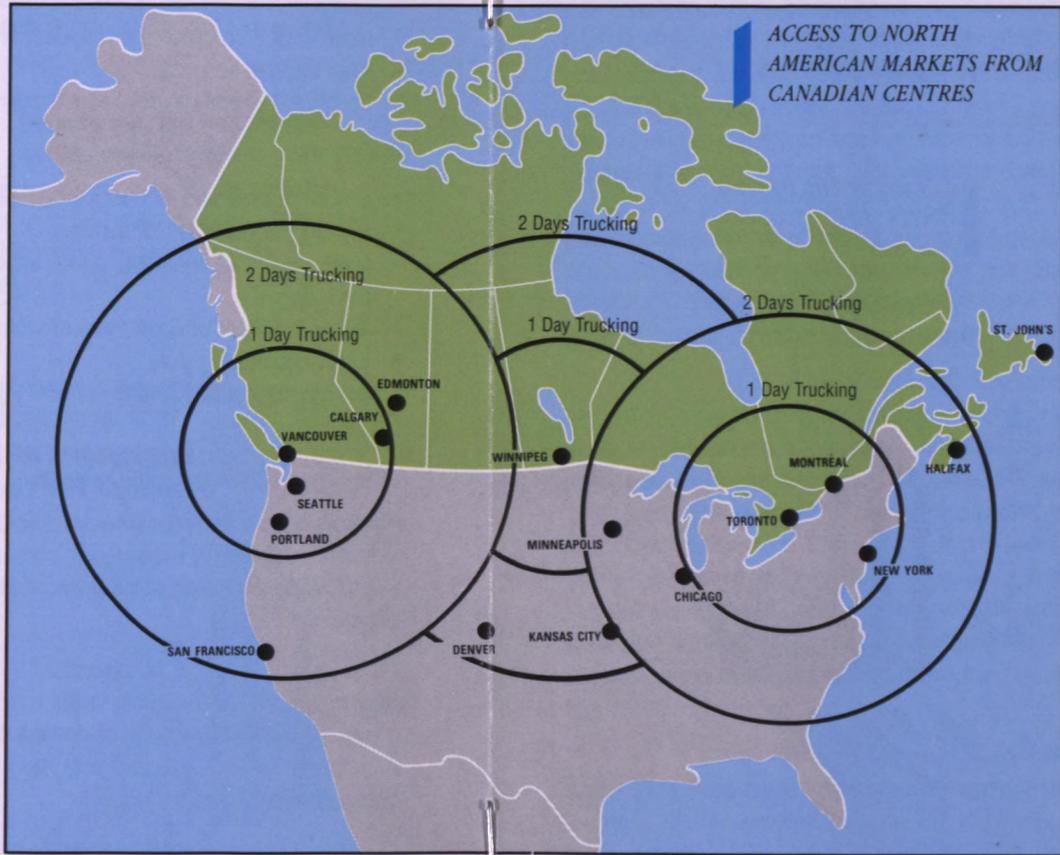
WHAT SOME INTERNATIONAL INVESTORS HAVE SAID  
ABOUT CANADA:

*"Nearness to our automotive customers was a prime factor in selecting a plant site in Ontario."*

*Bill Kett, General Manager  
Manchester Plastics, Ltd.*

*"We have a good diversity of employees and industry that gives us a good employee base here in Stratford, Ontario."*

*Paul Jesson, Vice-President  
Beaulieu of Canada Ltd.*



*"The bottom line in the site selection was economics. Calgary has a good labour market and business environment for us."*

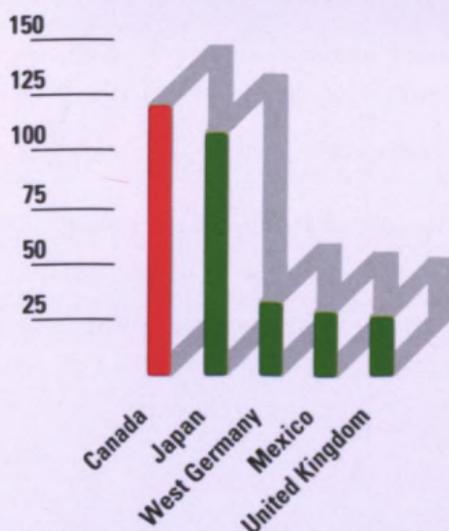
*Scott Peters, General Manager,  
Assembly Operations  
Carbo Medics Canada, Ltd.*

January 1, until January 1, 1993, the tariff reduction will proceed in equal steps until the tariffs are eliminated.

**O**n the remaining one-half of dutiable bilateral trade, including items such as clothing and textiles, appliances, as well as most processed foods and cosmetics, tariffs dropped by 10 per cent on the date of entry into force and will fall at the beginning of each year so that they are gradually eliminated in 10 equal steps. These items will become duty free by January 1, 1998.

**CANADA IS THE UNITED STATES' BEST TRADING PARTNER**

*U.S. trade in goods 1986  
Billions of U.S. dollars*



All-1986 figures are preliminary. Figures for U.S. exports to Canada in 1986 are from Statistics Canada; unless otherwise noted, all other figures are from U.S. Department of Commerce. Figures for U.S. imports are calculated on a customs basis.

Sources: Statistics Canada and U.S. Department of Commerce.

### **Innovation for investors**

The Free Trade Agreement provides for flexible new approaches in a number of investment-related areas.

**G**overnment procurement provisions mark important new progress in expanding the opportunities for suppliers of goods to government markets. Obligations of both countries under the GATT Code (General Agreement on Tariffs and Trade) are broadened and deepened. Purchases by the U.S. government above C\$33 000 will be open to Canadian companies unless the purchases are reserved for small business or excluded for reasons of national security. This will allow Canadian companies to bid on approximately C\$4 billion in U.S. purchases. Jointly agreed principles governing bid-challenging procedures ensure equitable and effective treatment for potential suppliers, and there are detailed procedures for the exchange of government procurement information.

**T**he investor will benefit from innovative provisions for the exchange of services. Services have become increasingly mingled with the production, sale and distribution of goods. The principle of national treatment will be extended to most suppliers of commercial services. The agreement provides sectoral annexes to clarify general obligations to open up markets in three service sectors: architecture, tourism, and enhanced telecommunications and computer services. Scope is provided to negotiate more sectoral annexes in the future.

**A**ccess for business travellers will be easier. New rules governing temporary entry to the U.S. for business visitors, professionals, traders and investors, and inter-company transferees will come into effect, giving reciprocal access for Canadian and American business travellers to the other market. National laws governing their entry have been liberalized and entry procedures made quick and simple.

**I**nvestment flows will be enhanced. The agreement recognizes that a hospitable and secure climate is indispensable to achieve the full benefits of reducing barriers to trade and investment. Thus, it seeks to provide an open and secure climate for investment. The agreement ensures that future regulation of Canadian investors in the U.S. and American investors in Canada results in treatment no less favourable than that extended to domestic investors in each country.

**T**he operation and sale of U.S.-owned firms in Canada, or Canadian-owned firms in the United States, will be subject, in each country, to the same rules as firms owned by domestic investors.

### **GATT PROVISIONS UPHELD**

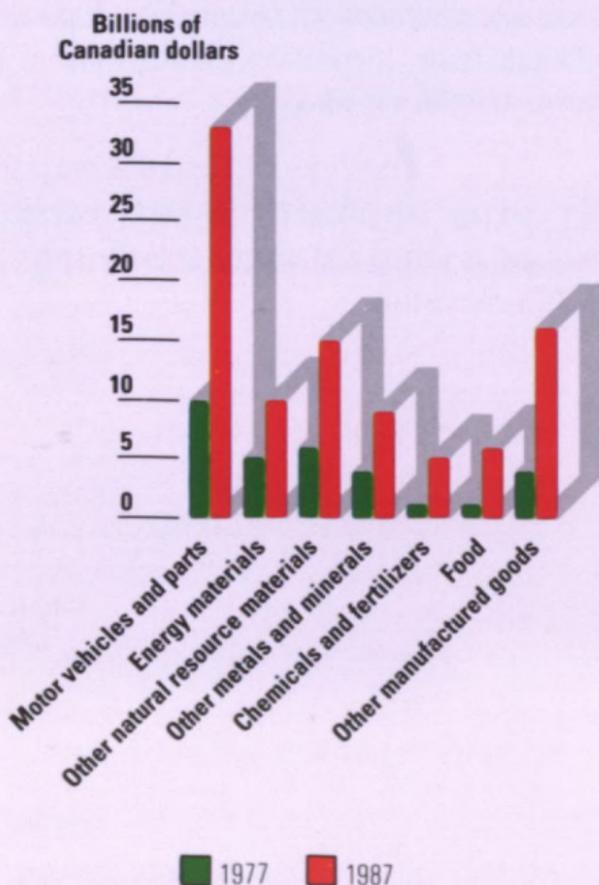
Canada is firmly committed to the GATT which is a cornerstone of Canadian trade policy. The Free Trade Agreement has been widely supported by Canada's GATT partners and was "strongly welcomed" by leaders of the Economic Summit.

### **INVESTMENT OPPORTUNITIES FOR NOW AND INTO THE TWENTY-FIRST CENTURY**

Today's international investment setting is one characterized by rapid changes in the global economy and major changes in investment markets. Forward-looking investment policies have been put into place that encourage the opening of new businesses in Canada.

**T**he Canadian future depends on this flexible new approach to investment. Canada seeks to attract investors who recognize the value of the secure,

CANADIAN MERCHANDISE  
EXPORTS TO THE UNITED  
STATES



Source: *Bank of Canada Review*, March 1988.

meaningful and profitable investment opportunities provided by the Free Trade Agreement.

**U**nder this agreement, lower consumer prices, the exploitation of economies of scale, the lower cost of intermediate goods imported from the U.S., and a more efficient allocation of resources in the economy

will result in over 120 000 new jobs by 1993. Canada will have an even more flexible and innovative economy and experience a permanent boost to Canadian real incomes.

**T**he Free Trade Agreement is the largest trade deal ever between two nations. It covers over C\$200 billion in trade. It enhances Canada's role as a gateway to North American markets.

**I**nvestors will find that ways in which they can take advantage of this unprecedented opportunity are as varied and unique as is the spectrum of the world's enterprises.



## List of additional publications available

- *The Canada-U.S. Free Trade Agreement — Synopsis*
- *The Canada U.S. Trade Agreement in Brief*  
(Also available in German, Italian, Greek, Portuguese and Chinese languages)
- *Canada's New Free Trade Agreement: Investment* (pamphlet)

Copies can be obtained by contacting your nearest Canadian embassy, high commission, or consulate or by writing to:

Free Trade Publications (BTC)  
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125 Sussex Drive  
Ottawa, Ontario  
Canada K1A 0G2  
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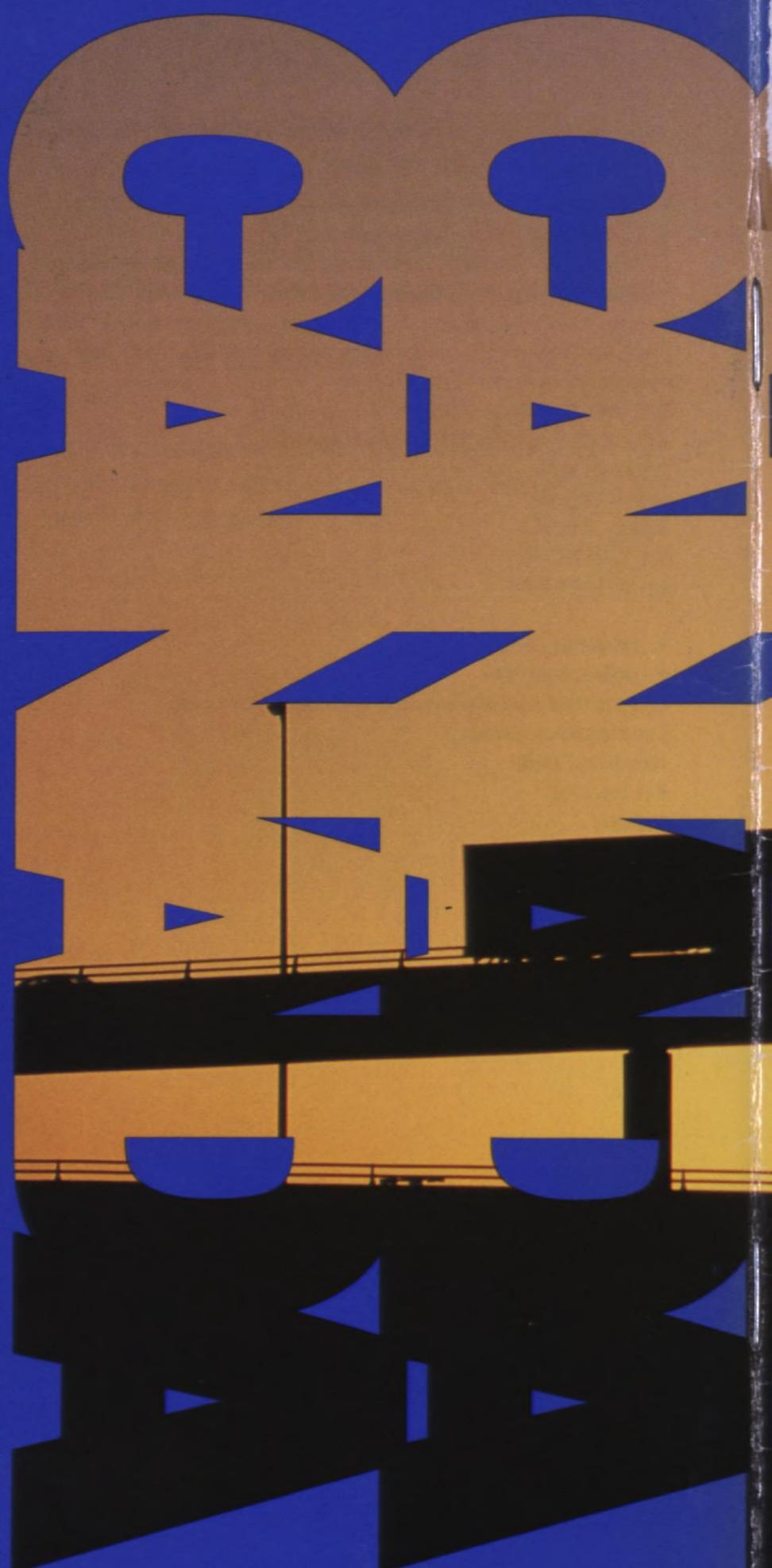
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# Canada



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