



Invest in Canada

2007/2008 Edition

#1 among G7 economies for GDP growth over 1997 – 2006 ■ #1 among G7 economies for forecasted GDP growth over 2008 – 2009 ■ #1 among G7 economies for forecasted employment growth over 2008 – 2009 ■ 10th straight year of federal budgetary surpluses ■ Lowest total government net debt – GDP ratio in the G7 ■ Lowest marginal effective tax rate on business investment in the G7 by 2010 ■ #1 in the G7 on intrinsic credit worthiness of its financial institutions ■ #1 among OECD countries for most streamlined new business procedures ■ #1 in the world for higher education achievement ■ #1 in the G7 for R&D tax incentives ■ The best place in the G7 to do business over the next five years

Think Competitive. Think Creative. Think Connected. **Think Canada.**

Canada

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Investir au Canada

All dollars in Canadian currency, unless otherwise specified.

KEY FACTS ON CANADA

As of 3Q 2007

Population:	33,091,228
GDP:	\$1,537.5 billion
GDP per person:	\$46,462
Real GDP growth:	2.9%
GDP growth forecast for 2008/09:	2.6%
Exports:	\$465.4 billion
Imports:	\$415.7 billion
Consumer Price Inflation:	2.4%
Total Stock of FDI in Canada (2006):	\$449 billion
Canadian Direct Investment Abroad (2006):	\$523 billion
Investment in Research & Development:	\$28.1 billion

● Provincial or Territorial Capital ○ Major City ■ Nation's Capital

Invest in

Canada



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Invest in **Canada.**

Invest in

Canada



Welcome by the Minister of International Trade

With a strong, stable and dynamic economy, world-class infrastructure and leading-edge research and development capabilities, Canada is attracting the attention of global businesses and investors alike.

To build on these advantages, Canada has created a business environment that supports company growth, by lowering taxes and reducing public debt. By 2012, Canada is expected to have the lowest statutory general corporate income tax rate in the G7—at 25 percent.

The Economist Intelligence Unit forecasts that over the next five years, Canada's business environment will rank first among the G7 countries.

Canada's position as a trading nation, with commercial links around the world, is another key advantage. With unparalleled access to the United States and Mexico—through the North American Free Trade Agreement—Canada saw over US\$712 billion in two-way trade with the United States alone in 2007.

A commitment to innovation is another dimension of Canada's success. For example, through a generous Scientific Research and Experimental Development (SR&ED) program, Canadian businesses and foreign-owned affiliates in Canada are encouraged to conduct leading-edge research and development (R&D), resulting in new, improved and technologically advanced products and processes. The SR&ED program is widely recognized as one of the most flexible and market-oriented R&D tax incentive programs in the G7.

To support and nourish these advantages, Canada has developed a global network of investment and trade professionals located in our offices around the world to continue making connections between Canada and opportunities worldwide.

I invite you to read this document and find out for yourself why Canada is fast-becoming one of the world's best business and investment destinations.



The Honourable David Emerson
Minister of International Trade
Minister for the Pacific Gateway and Vancouver-Whistler Olympics



The Honourable David Emerson
Minister of International Trade
Minister for the Pacific Gateway and
Vancouver-Whistler Olympics



Canada's Value Proposition for Your Business Growth



Canada's Strong and Stable Economy



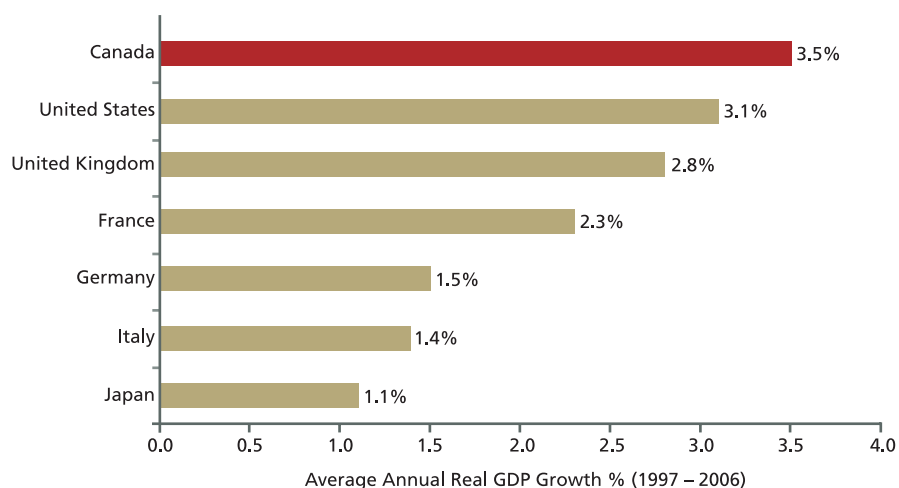
CN Tower, Toronto

Canada's rock solid and dynamic economy offers foreign investors growth prospects unparalleled in the G7.

Canada is one of the most competitive, dynamic, and innovative locations to do business in the world. Many of the world's top companies have invested in Canada and more are considering Canada as their next investment destination.

For foreign investors, Canada's strategic and competitive advantages over other investment destinations are compelling. With a \$1.5-trillion Gross Domestic Product (GDP) and an average per-capita income of \$46,462 in 2007, Canada is the world's eighth-largest consumer market. Canadians are currently experiencing the second-

CANADA HAD THE HIGHEST RATE OF ECONOMIC GROWTH AMONG G7 COUNTRIES FOR 1997 – 2006



Source: OECD Economic Outlook No. 82. December 2007.

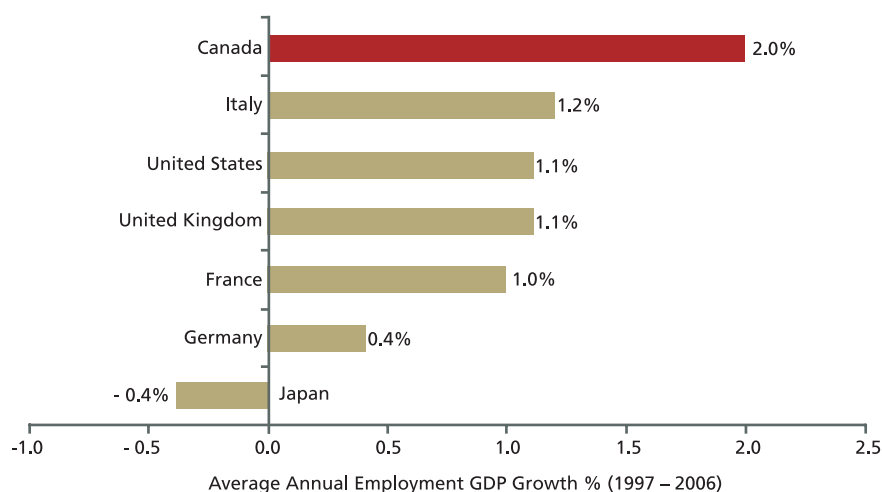
“Canada has enjoyed an enviable macroeconomic performance over the past decade. Reflecting prudent macroeconomic policies, structural reforms, and favourable external conditions, GDP has grown faster than in other G7 countries, inflation has been low and stable, and fiscal balances have been in surplus. This sound framework will support macroeconomic and financial stability while helping policymakers navigate the more challenging environment going forward.”

International Monetary Fund. 2008 Article IV Consultation. December 2007.

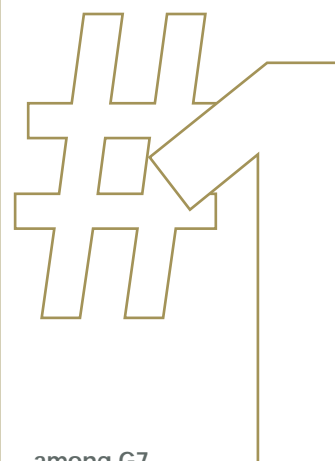
longest period of economic expansion in Canada's history. Simply put, Canada offers foreign investors the opportunity to participate in and benefit from the unprecedented growth of a world-class economy.¹

According to the Organisation for Economic Cooperation and Development (OECD), Canada will lead the G7 in economic growth in both 2008 and 2009. That comes as no surprise, given that Canada has ranked first among G7 countries for both GDP growth and employment growth over the last decade.

CANADA HAD THE HIGHEST RATE OF EMPLOYMENT GROWTH IN THE G7 FOR 1997 – 2006



Source: OECD.Stat.



among G7 economies for GDP growth over 1997 – 2006

among G7 economies for forecasted GDP growth over 2008 – 2009

among G7 economies for forecasted employment growth over 2008 – 2009

¹ International Monetary Fund. World Economic Outlook Database. October 2007.

Strong fiscal policies that support foreign investors

Bank of Canada, Ottawa

The secret of Canada's economic success is a prudent fiscal policy framework at all levels of government. These strong fiscal policies mean that foreign investors can expect a stable policy environment regardless of where they invest in Canada.

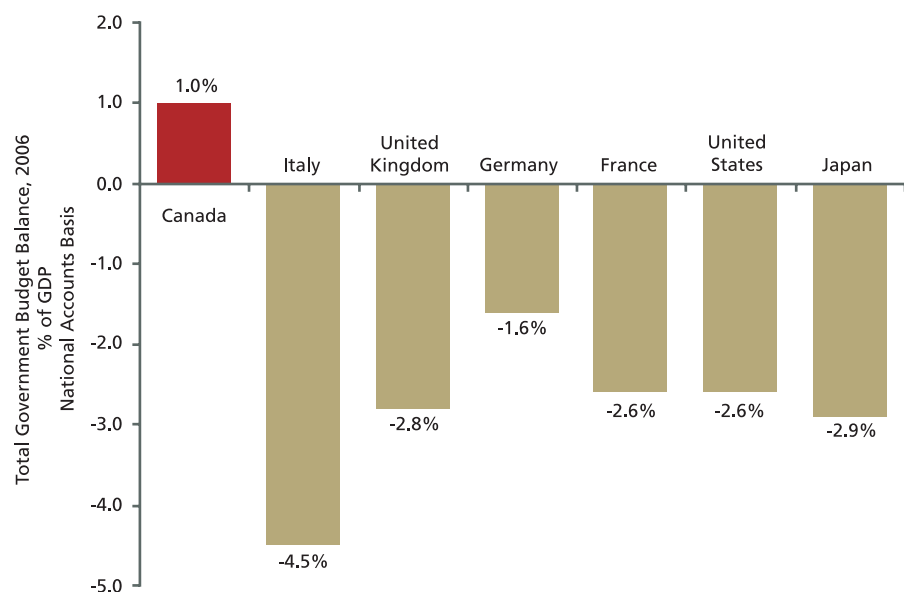
While most industrialized countries are operating their governments at a deficit, Canada is expected to record its 11th consecutive federal budget surplus in 2008, and is expecting surpluses over the next two years.

This decade-long string of budget surpluses underlines the prudent fiscal policies of not just the federal government in Canada, but governments at all levels. Canada's total government net-debt to GDP ratio has decreased from the second highest in the G7 in the mid-1990s to the lowest today. In fact, a long-term policy target of the Canadian government is to eliminate Canada's total government net debt in less than a generation, creating a strong foundation on which to build sustainable prosperity.

This strong fiscal record gives Canada a strategic edge over its competitors:

- Canada is substantially reducing the tax burden on corporations. Recent announcements will result in Canada having the lowest statutory corporate income tax rates on business investments in the G7 by 2012.
- Canadian governments have also used some of their budget surpluses to stimulate key and innovative sectors of the Canadian economy. Canada's public-sector funding of multi-billion dollar research and development programs across the country is having a real impact on Canadian productivity and innovation.

CANADA WAS THE ONLY G7 COUNTRY TO RECORD A GOVERNMENT-WIDE BUDGET SURPLUS IN 2006



Source: OECD Economic Outlook No. 82, December 2007.

Low levels of inflation and unbeatable credit

As prices for energy and natural resources rise, inflationary expectations are being revised upward around the world. Canada has a reputation for maintaining low and stable inflation levels that help keep input prices predictable.

With Canada's inflation-control target between 1 percent and 3 percent, the Economist Intelligence Unit (EIU) projects Canada's rate of consumer price inflation (CPI) to be relatively stable at 2.1 percent over the next five years. This builds on Canada's strong reputation for offering investors a stable pricing environment. Over the past five years, Canada's consumer price inflation (CPI) rate averaged 2.2 percent, while that of the United States averaged 2.9 percent. With its formal, targeted, low-inflation policy, Canada is among the countries with the lowest inflation. In fact, over the last seven years, price inflation experienced by producers of products manufactured in Canada was the second lowest among G7 countries.

Canada's low levels of inflation and excellent fiscal balances have led to low interest rates. For foreign investors, this means that borrowing costs in Canada will be highly competitive compared to much larger markets such as the United States and European Union countries. Further, Canada has maintained its AAA international credit rating since 2002 and the outlook remains stable for the foreseeable future.

The sustained AAA sovereign credit rating enjoyed by Canada has reduced the debt service costs of governments in Canada and allows for investments in other government priorities such as infrastructure development and R&D.

From commercial banks to insurance companies, Canada's high sovereign credit rating and strong financial sector oversight has also positively impacted the credit ratings of all of Canada's major financial institutions. In fact, Canadian banks rank first in the G7 in terms of their intrinsic credit worthiness. Given the uncertainty in financial markets related to the sub-prime mortgage crisis in the United States, Canada's AAA credit rating will be an important strategic consideration for foreign investors.

Financial District, Toronto





The strong Canadian dollar

The strong Canadian dollar allows export-oriented foreign investors the opportunity to source inputs and invest in plants and machinery at discounted prices, making their exports even more cost competitive.

For investors looking to establish operations in Canada, fluctuations in the value of the Canadian dollar matter. Although influenced by such factors as the price of oil, Canada's endowment of natural resources, and the slowing of the U.S. economy, the strength of the Canadian dollar in 2007 is a testament to Canada's strong and robust economy. In 2007, the value of the Canadian dollar increased by almost 18 percent relative to the U.S. dollar, and has remained close to parity in 2008.²

Against other major global currencies such as the euro or yen, however, the Canadian dollar has maintained its value and is now close to its early 2007 levels.³ This at a time when both the euro and the yen have appreciated significantly against the U.S. dollar.⁴

Investors can take advantage of today's higher currency spread between the Canadian dollar and the U.S. dollar to reduce the cost of imported machinery, equipment and other inputs, paving the way for productivity growth in their Canadian operations. In fact, up to 80 percent of machinery and equipment used in the production process in Canada is imported.

Further, imported inputs account for approximately 40 percent of the value of Canadian exports, meaning that for foreign direct investors focused on exporting product, the high Canadian dollar actually makes their exported product more cost competitive.⁵ Combine this with the second lowest producer price inflation levels in the G7 and the high value of the Canadian dollar relative to the greenback actually reduces costs for foreign investors.

² For the period January 2, 2007, to December 31, 2007.

³ The C\$/euro and the C\$/yen exchange rates have each increased by only 4.8 percent between January 2, 2007, and February 1, 2008.

⁴ The US\$/euro and US\$/yen exchange rates have each declined 10.5 percent between January 2, 2007, and February 1, 2008.

⁵ Foreign Affairs and International Trade Canada. "Canadian dollar on the rise and what it means to your business". December 2007.

The Best Place to Do Business in the G7



The Economist Intelligence Unit (EIU) forecasts that over the next five years Canada's business environment will rank first among the G7 countries. Need we say more?

Canada understands the importance of foreign direct investment (FDI). Our strong and stable economy and our prudent fiscal policies have all been designed with you, the investor, in mind. Foreign investors can expect to establish their operations faster and at lower cost in Canada than elsewhere.

Independent analysis confirms Canada as the place to do business. Here are some facts:

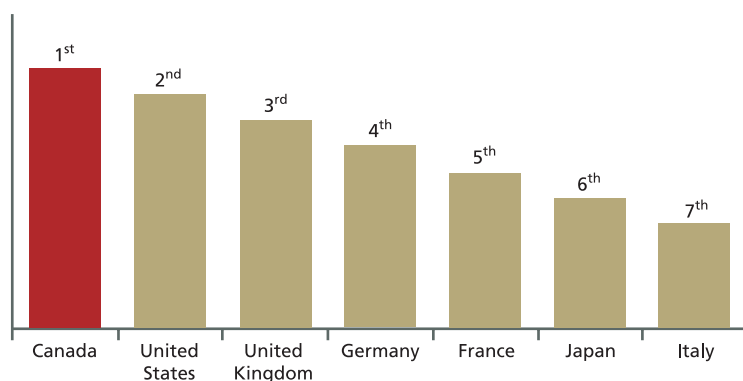
- Canada is ranked first in the G7 in the EIU's global business rankings model for the 2008 – 2012 period. This ranking measures the quality of business environments for 82 countries based on scores for 91 indicators in 10 categories and is considered one of the most comprehensive measures of its kind.
- With respect to its business environment, the EIU ranks Canada well for infrastructure, market opportunities, taxes, and foreign trade and exchange controls.

1, 2,—you're in business

According to the World Bank, Canada ranks first in the G7 and OECD countries for the lowest number of procedures required to establish a new business. Only two procedures are required for new investors to get their operations going in Canada compared to six in the United States.

Canada also ranks first among the G7 economies for the fewest number of days required to establish a new business. Three days is all it takes for a new investor to be in business.

CANADA RANKS FIRST IN THE G7 FOR THE PROJECTED QUALITY OF ITS BUSINESS ENVIRONMENT (2008 – 2012)



Source: The Economist Intelligence Unit. December 2007.

West Edmonton Mall, Edmonton



The lowest marginal tax rates for corporate investments in the G7

National Art Gallery, Ottawa

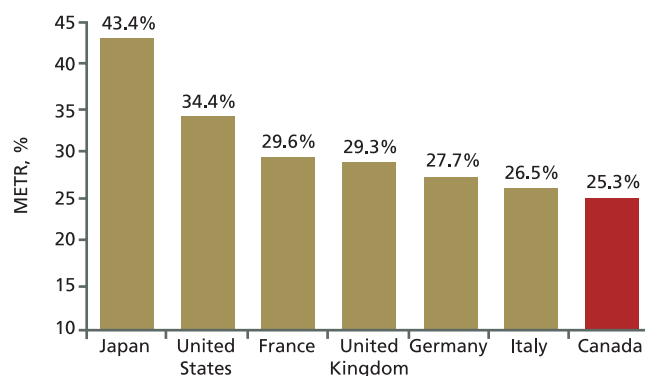
Compared with its G7 competitors, Canada offers compelling benefits to foreign investors in the form of a significantly reduced tax burden.

Canada has recently announced broad-based business tax reductions over the next five years for both Canadian corporations and foreign investors with operations in Canada. In its Fall 2007 Economic Statement, the Government of Canada introduced a bold new tax reduction initiative that will lower the general federal corporate income tax rate to 15 percent by 2012 from the current 19.5 percent. Building on these sweeping tax reductions, Budget 2008 has confirmed the general federal corporate income tax rate will be set at 15 percent by 2012.

With this reduction, Canada will have the lowest statutory corporate income tax rate in the G7 by 2012. Canada's Marginal Effective Tax Rate (METR)—a comprehensive indicator of the taxation of new business investment—will be 25.3 percent in 2012, giving Canada the lowest METR in the G7 countries by 2010.

These measures, announced in 2007 by the federal government, strengthen Canada's tax advantage over the United States. Investors in Canada will have a 12.3 percent statutory tax rate advantage over the United States and an overall METR tax advantage on new business investment of 9.1 percent in 2012.

CANADA WILL HAVE THE LOWEST MARGINAL EFFECTIVE TAX RATES (METRS) ON BUSINESS INVESTMENT IN THE G7 BY 2011



Source: Department of Finance's Economic Statement, October 30, 2007 and the March 2007 Federal budget. Average federal and provincial/state corporate income tax rates.

High-quality foreign direct investment (FDI)

Canada is the destination for strategic, multi-billion dollar investments by leading global companies that have established core business operations in Canada.

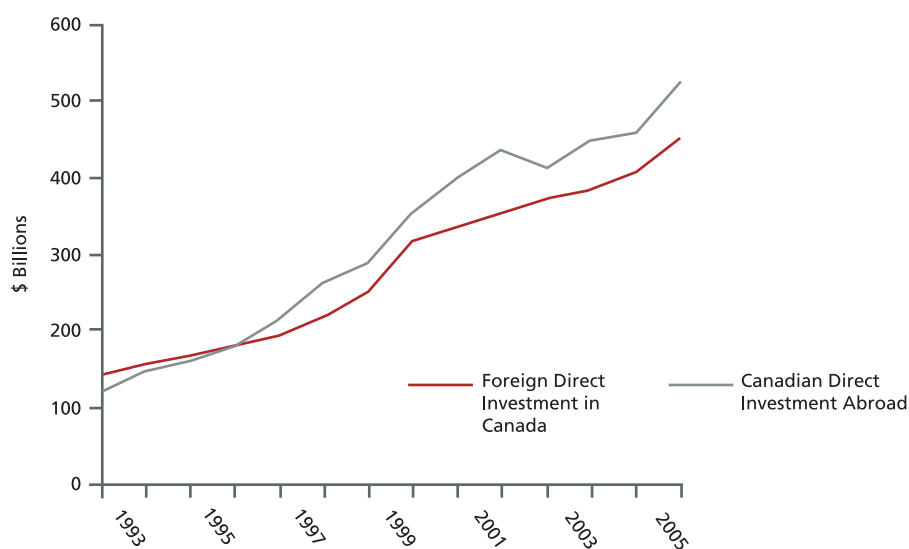
For Canada, FDI is crucial to the success of its economy. In 2006, Canada's inward FDI stock was 30.4 percent of Canada's GDP. By this measure, Canada is one of the most open countries in the G7 when it comes to FDI.

Canada's openness to FDI speaks for itself. Over the past two and a half decades, Canada has witnessed a substantial growth in inward FDI stock. Canada's inward FDI stock reached \$449 billion in 2006, an almost 7-fold increase from \$65 billion in 1980.

Multi-billion dollar strategic investments by leading global firms is evidence of this enthusiasm. From auto manufacturers to wireless technology vendors to pharmaceutical companies, the list of foreign firms investing in Canada is long.

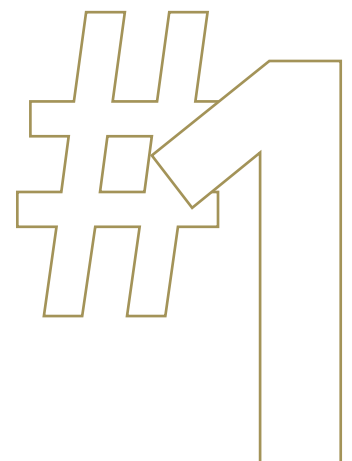
The type of investments undertaken by foreign firms has transformed the shape of Canada's economy over the last two decades. Clusters of innovation in automotive, aerospace, information and communications technologies, life sciences and other new economy sectors stretch across the country, allowing foreign investors benefits such as access to a deep pool of talent, world-class R&D infrastructure, and cost-effective supply, distribution, and sales channels.

CANADA'S INWARD AND OUTWARD FDI STOCK HAS EXPANDED RAPIDLY OVER THE LAST 25 YEARS



Source: Statistics Canada, May 2007.

The Best
place in the G7 to do business
over the next five years



in the G7 and OECD for
fewest procedures needed to
establish a new business

in the G7 for least time
needed to establish a new
business

Lowest
marginal effective tax rate
on business investment in
the G7 by 2010

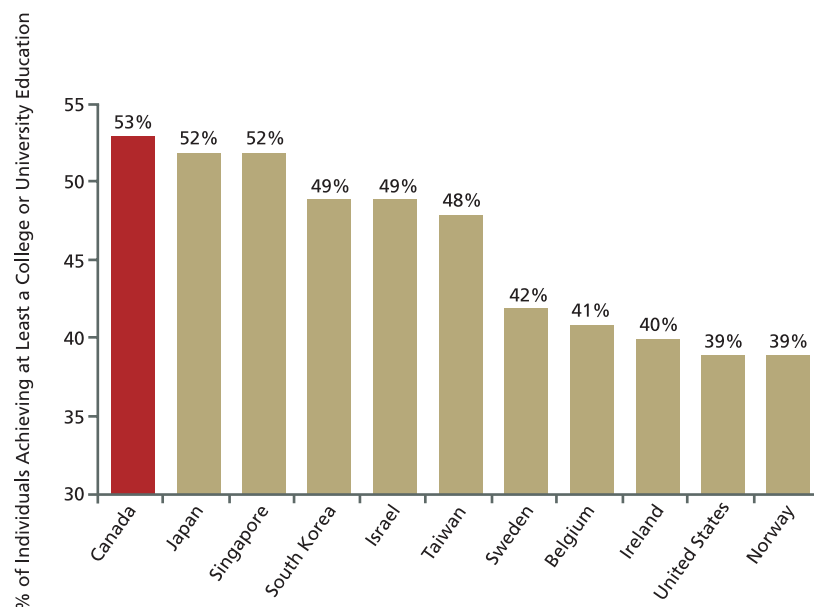
A Talented, Innovative, and Diverse Workforce

Canada believes in its people, invests in them, and welcomes talent from around the world.

While investing in their people is a mantra for most countries, it is a core Canadian value. Canada is a leader in the G7 when it comes to how much it spends on educating its people.

And this investment in our people shows. According to the *IMD World Competitiveness Yearbook 2007*, Canada is first in the world when it comes to higher education achievement with more than half of Canadians 25-35 years of age having completed a post-secondary education. For secondary school enrolment, Canada ranks third in the world, far ahead of our North America Free Trade Agreement partners, the United States (26th place) and Mexico (53rd place).

CANADA HAS THE WORLD'S HIGHEST PERCENTAGE OF COLLEGE OR UNIVERSITY GRADUATES



Source: IMD, *World Competitiveness Yearbook 2007*.

As a foreign investor, you are not only interested in finding the right technical skill sets, but also the right management skill sets. Here, too, Canada excels. The World Economic Forum ranks Canada among the top 10 countries in the world when it comes to locally available management education in first-class business schools.

In the 2006 MBA survey published in *Business Week* magazine, five Canadian business schools ranked among the top 10 outside the United States: Queen's University (1st place), University of Western Ontario (2nd place), University of Toronto (3rd place), York University (9th place), and Hautes études commerciales (HEC), Montreal (10th place).

Canada also has some of the best engineering schools in North America according to the Gourman Report, with 18 of North America's top 40 electrical engineering schools located in Canada.

Canada's diverse workforce

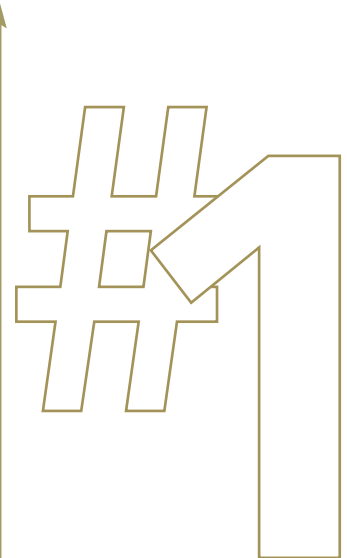
Canada's multicultural society and the diversity of its workforce represent core advantages over other investment destinations.

Canadian society has undergone profound change in the last 25 years. The expanding role of women in the workplace, the celebration of cultural diversity and the contribution of visible minorities are all important cornerstones of Canada's pluralistic and diverse society. This is perhaps nowhere more evident than in Canadian cities, which have become rich centres of creativity attracting talented people from around the world.

One-fifth of Canadians speak a mother tongue other than English or French. In fact, according to Canada's latest census, Canadians reported more than 200 mother tongues. Chinese languages comprise Canada's third most common mother tongue group, after English and French. Over one million Canadians identified Chinese as their mother tongue.

For foreign investors, Canada's diverse workforce offers a key strategic advantage over other investment destinations. As a result of this language diversity in the workplace, investors with Canadian operations will have a truly global reach. In sectors such as business process outsourcing and software development, foreign investors have already taken advantage of this Canadian asset, establishing successful operations that service global markets.

In recognition of the importance of overseas talent in the operations of Canadian and foreign businesses, the Government of Canada has established an agency that will expedite the assessment of foreign degrees and the process by which foreign workers are accepted into Canada.



in the world for higher education achievement





Leading Edge Research & Development

Innovation is the key to success in today's global knowledge economy. Canada invests billions of dollars each year in R&D, ensuring that foreign investors have access to the best talent and R&D infrastructure in the world.

Science World, Vancouver



Canada is a leader in the world when it comes to investing in R&D infrastructure. Total expenditures on R&D amounted to \$28.1 billion in 2006 for the country as a whole. The Canadian federal government invested \$2.3 billion specifically to fund R&D infrastructure in Canada and to attract international research talent. Canada is keenly aware that investments in R&D infrastructure are crucial in the global race for talent. Canada provides a tremendous pool of scientists and researchers in clusters across the country that investors can leverage for their own in-house research capacity.

At the centre of a national strategy to make Canada one of the world's top countries for research and development is the Canada Foundation for Innovation (CFI). The CFI is an independent corporation created by the Government of Canada and it is an important funding institution for R&D in Canada. The CFI's mandate is to strengthen the capacity of Canadian universities, colleges, research hospitals, and non-profit research institutions to carry out world-class research and technology development that benefits Canadians. Since its creation in 1997, the CFI has committed \$3.8 billion in support of 5,585 projects at 128 research institutions in 64 municipalities across Canada.

The Canada Research Chairs Program is another pillar of Canada's national R&D strategy. This program invests \$300 million a year to attract and retain some of the world's most accomplished and promising minds. The aim is to achieve research excellence in natural sciences, engineering, health sciences, humanities, and social sciences. To this end, the Program improves Canadians' depth of knowledge and quality of life, strengthens Canada's international competitiveness, and helps train the next generation of highly skilled people through student supervision, teaching, and the coordination of work by other researchers.

The following are just a few recent examples of state-of-the-art facilities located across Canada.

Canada's Synchrotron: Using light for business applications

The University of Saskatchewan's Light Source Synchrotron is an example of Canadian investment in basic R&D. The \$300-million football field-sized facility—the largest scientific laboratory built in Canada in a generation—uses powerful magnets to accelerate tiny particles to nearly the speed of light.

Some applications include burning computer chip designs into metal wafers, studying molecule shapes and protein crystals, analyzing the composition of environmental pollutants and documenting reactions by living cells to drugs used in cancer research.

MaRS: Commercializing biotech research the Canadian way

MaRS, a non-profit innovation centre with 2,000 employees, is another example of Canada's strength in the collaborative commercialization of R&D. The MaRS Centre aims to accelerate the creation of successful enterprises by connecting entrepreneurs with business skills and capital.

Located in Toronto's so-called Discovery District—a two-square-kilometre area designated as Toronto's centre of innovation—the MaRS Centre is the gateway to Canada's largest concentration of biotechnology research. The District is anchored by major teaching hospitals, the University of Toronto and more than two dozen affiliated research institutes.

National Institute for Nanotechnology: Big things come in small packages

Canada is solidifying its leadership in the global nanotechnology market through collaborative research being conducted at the National Institute for Nanotechnology (NINT) housed at the University of Alberta. Established in Edmonton in 2001, the \$52.2-million facility is part of Canada's nanotechnology nexus. NINT fosters collaboration by providing access to world-class R&D facilities and researcher expertise, and assisting companies with commercialization, licensing and other business activities.

The NINT facility is designed to provide the optimal conditions for nano-scale research and to foster collaboration between researchers. As "Canada's quietest space", NINT comprises a suite of characterization labs featuring ultra-low vibration and minimal acoustical noise and electro-magnetic interference—an essential environment for research at this scale.

Canada's Synchrotron, Saskatoon



The Perimeter Institute: At the edge of theoretical physics

Established in 1999 by Mike Lazaridis, founder and Co-CEO of Research In Motion (RIM), the Perimeter Institute includes over 60 resident researchers dedicated to addressing foundational issues in current theoretical physics research. The current areas of cross-disciplinary research include: Cosmology, Particle Physics, Quantum Foundations, Quantum Gravity, Quantum Information Theory, and Superstring Theory.

NEPTUNE: A priceless view of our oceans

The North-East Pacific Time-Series Undersea Networked Experiments (NEPTUNE) will be the world's largest cable-linked seafloor observatory. Canada is investing \$100 million to develop this facility which consists of an 800-kilometre ring of powered fibre-optic cable on the seabed over the northern part of the Juan de Fuca tectonic plate. Shifts in this tectonic plate are responsible for a full range of terrestrial and ocean processes.

NEPTUNE will expand the boundaries of ocean exploration and give researchers around the world a new way of studying and understanding our planet. NEPTUNE also brings the power of the Internet to the ocean environment through novel technologies that will transmit data to the world almost instantaneously. Through NEPTUNE, scientists around the world will discover more about the structure and seismic behaviour of the ocean crust, the nature of seabed chemistry and geology, ocean climate change and its effects on marine life at all depths, and the diversity of deep sea ecosystems.

Canada's Centres of Excellence for Commercialization and Research (CECRs)

In 2007, the Government of Canada invested \$163 million to establish 11 new Centres of Excellence for Commercialization and Research (CECRs) across Canada. The objective of these CECRs is to move discoveries out of the lab and into the marketplace through partnerships between the private sector, academia, and the public sector in Canada. Four areas for commercialization of research are targeted: environmental science and technologies, natural resources and energy, health and life sciences, and information and communications technologies.

Canada's R&D tax incentive programs

Canada offers foreign investors one of the most lucrative and flexible R&D tax incentive programs in the world, making Canada a clear choice to invest in R&D activities.

Among the G7 countries, Canada is the unquestionable leader in providing the most attractive tax incentives for R&D. When combined with provincial incentives, for every \$100 in R&D expenditures undertaken in Canada, foreign investors are reimbursed up to \$27 as a tax credit. By comparison, France and Japan are a distant second, offering between \$12 and \$20 in tax credits for R&D work undertaken within their jurisdictions.

Not only is Canada the G7 leader when it comes to the absolute level of its R&D tax incentive, Canada's R&D tax structure is also one of the most flexible, open, and market-based programs in the OECD. Unlike many of Canada's OECD and G7 competitors whose R&D tax incentive programs have fixed budgets and caps on available tax credits for individual companies, Canada's Scientific Research & Experimental Development program is an open-ended tax incentive initiative whereby private-sector R&D expenditures qualify for tax credits issued by the Canadian government.

The Scientific Research & Experimental Development program

The Scientific Research & Experimental Development (SR&ED) program allows a tax credit on qualifying R&D expenditures incurred in Canada. For large companies, the rate is 20 percent and the credit is non-refundable. For small companies that are Canadian Controlled Private Corporations (CCPCs), the rate is up to 35 percent and the credit can be refundable. In addition, the program allows a 100 percent deduction for qualifying current R&D expenditures and qualifying capital expenditures made on R&D machinery and equipment. In 2008, the Government of Canada announced further measures to streamline the SR&ED program and make it even more flexible for companies to undertake research globally and provide tax-incentives for research undertaken by their Canadian-resident employees carrying out SR&ED activities outside of Canada.

The SR&ED program has enjoyed steady growth in this decade. Government expenditures on SR&ED tax credits totalled \$2.4 billion in 2001 and were projected to reach \$3.3 billion in 2007, which represents a significant annual increase of 5.8 percent. Provincial tax credits supplement these federal tax rebates.

Calgary Tower, Calgary





Gateway Economy of the 21st Century

With a strategic location at the crossroads of North America, Asia and Europe, no destination offers better and faster access to North American markets than Canada.

Olympic Stadium, Montréal



Whether an investor needs to ship product or travel to North American destinations, Canada has the transportation and communications infrastructure to ensure the most cost-effective access to North American markets.

The North American Free Trade Agreement (NAFTA) has resulted in deep integration between the Canadian, U.S. and Mexican economies in nearly all sectors, resulting in a single market of over 440 million consumers with a combined GDP of U.S.\$15.4 trillion (PPP basis).⁶

Canada has become the destination of choice for foreign investors who have established operations in Canada to take advantage of Canada's proximity and unparalleled access to the United States. In fact, most Canadian production hubs are actually closer to major U.S. regional markets than U.S. production sites. Of Canada's 20 largest cities, 17 are within an hour-and-a-half drive to the U.S. border!

Of the three NAFTA countries, Canada is geographically closest to both Asia and Europe. Canadian ports, like Prince Rupert on the Pacific coast, and Halifax on the Atlantic coast, are winning choices for shipping companies, simply because of the time and cost savings and supply chain efficiencies associated with sending cargo through Canada. For example, Halifax, Nova Scotia, has a 52-hour transit time advantage over Savannah, Georgia. Prince Rupert, British Columbia, has a 65-hour transit time advantage over Los Angeles, California.

Transit time savings mean goods will get to market faster and reduce inventory carrying costs for investors who have operations in Asia and Europe. An investor's Canadian operations can act as a hub where final processing and assembly takes place before shipping to destinations in the south.

The high level of integration between Canada and the United States is demonstrated by the short wait times for commercial vehicles crossing at the Canada-U.S. border. In 2004, wait times averaged 8.5 minutes, making this one of the most efficient border crossings in the world.

The NAFTA market is serviced through a well-integrated transportation system, linking port facilities with rail and truck routes. This transportation system consists of

⁶ CIA World Factbook. December 2007. Purchasing Power Parity (PPP) equalizes the purchasing power of consumers in their home countries for a basket of goods.

automated permit ports, transponder identification systems, and joint processing centres for commercial cargo and air passengers. These, together with Canada's network of roads, rail, and air linkages into the United States ensure the easy and seamless movement of goods and people across international borders.

Canada's Asia Pacific Gateway and Corridor Initiative

To help ensure Canada's gateway advantages, the Canadian government launched an ambitious infrastructure project in October 2006 called the Asia-Pacific Gateway and Corridor Initiative (APGCI). Motivated by the huge increase in cargo traffic in the past decade with Asian countries and China in particular, the APGCI is an unprecedented, integrated framework to strengthen Canada's multi-modal transportation system. The Initiative has been fuelled with a \$1-billion fund to increase the efficiency and reliability of the transportation network between North America and Asia-Pacific. The APG Corridor Initiative complements significant investments by Canadian provinces and the private sector.

MOST CANADIAN PRODUCTION HUBS ARE CLOSER TO U.S. MARKETS THAN U.S. PRODUCTION SITES



8.5

minutes:
the average wait time for
commercial vehicles at the
Canada-U.S. border

1.5

hours:
the average driving time
from most major Canadian
cities to the U.S. border

\$712

billion:
the value of Canada-U.S.
two-way trade



World-Class Infrastructure

Canada's integrated transportation network enables foreign investors to source inputs and move goods to market faster and at lower cost than would be possible with Canada's competitors.



Canada's land transportation networks are among the most efficient in the world. In 2006, Canada's 1.4-million kilometre road network was the second-longest such network in the OECD, after the United States.⁷ Canada's uncongested roadways are highly integrated with those of the United States, and are serviced by world-class truck carriers that move cargo efficiently across North America.

Canada's vast road network is complemented by one of the world's most extensive and most efficient rail infrastructures. With 64,438 kilometres of track in operation, 35,000 employees, 3,271 locomotives, and 100,000 freight cars, Canada's railway network is the third longest in the world, behind the United States and the Russian Federation.⁸ Throughout the last 15 years, regulatory reforms of the rail system in Canada massively improved rail rates and rail productivity resulting in a system that Canadian businesses and foreign investors can rely on to deliver their goods in a cost-effective manner. Canada's railway system is significantly more productive, and hence efficient, than railways in other G7 countries.

Unparalleled telecom connectivity

Canada ranks first in the G7 in broadband and high-speed Internet usage. It ranks second only to the United States among G7 countries when it comes to personal computer use in its population. Canada also has one of the lowest business telephone charge rates among G7 economies.

Canada has created a national research network. Canadian researchers are connected to Canada's National Research and Innovation Network, CANARIE Network, the world's premiere advanced research network that can accommodate new high bandwidth applications and extreme high bandwidth grid projects. The \$110-million CANARIE Network is provisioned at speeds of up to 40 Gbps, about two to three times the speed of similar networks overseas. The CANARIE Network interconnects provincial research networks, universities, research centres, government research laboratories, schools, and other eligible sites with each other and with international peer networks.

⁷ OECD. *International Road Traffic Accident Database*. 2006.

⁸ Railway Association of Canada. *2007 Railway Trends*.

Canada's Quality of Life and Values



Canada is a land known for its immense natural beauty and as a place where big dreams come true. Put simply, it is the best country in the world to live.

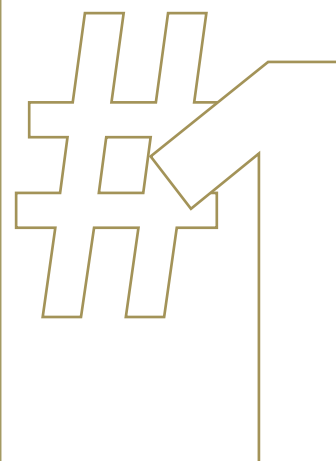
From Canada's publicly funded health-care system, to social programs for less well-off citizens, Canadians believe in a society that works for all. That is why by any international measure of "quality of life", Canada has been ranked as one of the best places in the world to live.

The most well-known of these measures is the United Nation's Human Development Index. On this indicator, Canada was placed first for over a decade in the 1990s and still ranks first in the G7 when it comes to its quality of life, measured by broad indicators such as life expectancy, educational attainment, and income.

Another well-publicized indicator is the 2007 Worldwide Quality of Living Survey by Mercer Human Resource Consulting. The survey found that of 215 cities in the world, the following five Canadian cities ranked among the top 25: Vancouver (3rd place), Toronto (15th place), Ottawa (18th place), Montréal (22nd place), and Calgary (24th place). No other country, with the exception of Germany, had more cities in this Top 25 Cities list. Canadian cities were also the only cities in the entire Western Hemisphere to consistently be included in the Mercer Top 25 Cities list. In areas such as health, sanitation, and the environment, Canadian cities ranked even higher due to the high quality of their medical and health services, the cleanliness of their cities, and the relative lack of air pollution.

The foundations of this high quality of life are a safe and just society that provides for equal opportunity for all of its citizens. Canada is one of the safest places in the G7 to live and conduct business and has one of the most fairly administered judicial systems in the world. It also ranks first in the G7 when it comes to providing equal opportunities for individuals.

What is best about Canada's quality-of-life experience is that the cost of living in larger Canadian cities is much lower than or comparable to other similar North American cities. For example, according to Mercer Human Resource Consulting, Vancouver's cost of living was a full 14 percent below that of Los Angeles while Toronto's cost of living was 6 percent below Chicago's.



in the G7
for quality of life

in the G7
for the equal opportunities
provided to its citizens



in the G7
for property security and
judicial fairness



Canada's Investment Sectors for Growth



Advanced Manufacturing

Bombardier's CRJ700™ assembly plant in Dorval, Quebec.
Canada's Bombardier Aerospace is the third-largest aircraft manufacturer in the world.
Bombardier's 200,000-sq. ft. Dorval facility accommodates eighteen CRJ700 aircraft.

Photograph Courtesy of Bombardier Inc.

Automotive

Canada's extensive expertise in all parts of the automotive value chain has made it the world's third-largest exporter and ninth-largest producer of automotive products.

Canada has a proven track record of success in the automotive industry, a track record that makes it an ideal investment location for international automakers and parts manufacturers. Canada offers investors a deep pool of highly skilled workers in the automotive sector and unique R&D opportunities and programs.

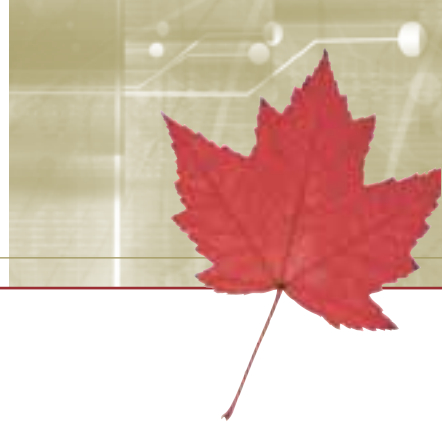
Canada is the world's third-largest exporter of automotive products after Japan and the United States

With shipments valued at \$99.9 billion in 2006, the Canadian automotive industry is a crucial component of the Canadian economy.⁹ Canada's auto sector accounts for 12 percent of manufacturing GDP and directly employed 158,300 people in 2006.¹⁰ Canada is the world's ninth-largest manufacturer of motor vehicles, producing no fewer than 2.6 million passenger and commercial vehicles annually, a figure that represented 16 percent of total NAFTA production.¹¹

Canada is home to six global automakers—Chrysler, Ford, General Motors, Honda, Suzuki, and Toyota. These manufacturers operate 12 high-volume assembly plants producing cars, minivans and light trucks (a 13th plant is set to open in the fall of 2008) with 83 percent of Canadian-built vehicles exported, primarily to the United States. There are also 25 relatively low-volume assembly plants producing heavy-duty chassis and vehicles.

Quality and productivity are the hallmarks of success, and Canada's automotive industry consistently delivers in both categories. Although Canadian assembly plants account for just one-sixth of total motor vehicle production in North America, they took home more than one-third of all J.D. Power plant-quality awards. The *2007 Harbour Report* concluded that Canadian assembly workers are 7.9 percent more productive than their U.S. counterparts, and 82.2 percent more productive than workers based in Mexico. Small wonder that Canada operates the first, second, and fourth most-productive assembly plants in North America.

This reputation for quality, efficiency, and productivity is reflected in the consistent enthusiasm investors have for Canada's automotive industry, which has attracted \$3.5 billion in annual capital investment for the past decade.¹² A recent example of this



⁹ Industry Canada. *Cars on the Brain: The Canadian Automotive Sector*. September 2006. p. 3

¹⁰ *Ibid.* p. 3

¹¹ *Ibid.* p. 3

¹² *Ibid.* p. 3

"It's no secret that automotive manufacturers are constantly on the lookout for value-added suppliers. They often find them in Canada, because Canada offers the kind of cost-effective infrastructure that helps innovative technology-based companies maximize their potential."

Mike van Gendt,
President,
Omron Dualtec Automotive
Electronics Inc.

enthusiasm is illustrated by a General Motors of Canada announcement in 2007 that its truck assembly plant in Oshawa will be the first plant in Canada to produce hybrid vehicles, with the new Two-Mode Hybrid Chevrolet Silverado and GMC Sierra scheduled to start rolling off the production line in fall 2008.¹³ Another significant example is the 1.1 billion investment by Toyota in Woodstock, Ontario. Toyota's new plant will produce 150,000 RAV4 sport utility vehicles annually.

R&D opportunities

Canada is a world leader in expanding its capacity for automotive R&D. In addition to having core competencies in industries serving the automotive sector such as metal processing, materials engineering, design and visualization, chemicals, and plastics, Canada's automotive R&D is fueled by innovative infrastructure arrangements, including private-public R&D partnerships. These include the Canadian Lightweight Materials Research Initiative, the Centre for Automotive Materials and Manufacturing, the Transportation Development Centre, AUTO21 Network of Centres of Excellence, and the Waterloo Centre for Automotive Research (WATCAR).

In the 2008 federal budget, the Government of Canada announced new incentives to stimulate further R&D in the auto industry. This included a \$250-million Automotive Innovation Fund to support strategic, large-scale research and development projects in the automotive sector to develop innovative, greener and more fuel-efficient vehicles.

HONDA'S GATEWAY TO NORTH AMERICA



James H. Miller,
Executive Vice President,
Honda Canada Inc.

The opportunity to establish a gateway into the North American auto market encouraged Japanese automaker Honda to establish a manufacturing plant in Alliston, Ontario, in 1986. Efficiencies at the company were so great that in 1998 it built a second plant at the same location, and in 2006 Honda announced that it was investing \$154 million in a new engine plant at Alliston that would produce 200,000 units per year. As of 2007, Honda's total investment in Canada is over \$2.6 billion with a total production of over 4.5 million units. "The engine plant allows us to be more self reliant while at the same time respecting the environment," says Jim Miller, Executive Vice President of Honda Canada. More recently the company announced plans to build a head office campus in Markham, Ontario, a strategic location allowing timely access to the entire North American market.

"The new space allows for greater economic and operational efficiencies, while expanding our economic contribution to Canada," says James Miller, "Honda considered many options and decided on a municipality that complemented our business philosophy—speed to market, focus on customer service and driven by innovative solutions."

Honda operations currently employ approximately 21,000 people in Canada.

¹³ GM Canada press release. February 13, 2007

Aerospace

Canada's aerospace industry has been part of the global aerospace value chain since the 1930s. Canada provides incredible opportunities for Tier 1 and Tier 2 suppliers to integrate themselves into their customers' global operations by locating close to their R&D and project management centres.

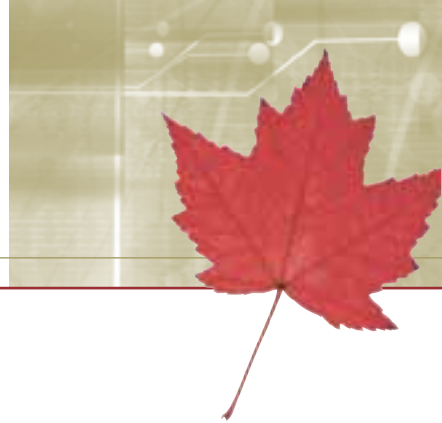
Canada's aerospace sector comprises more than 400 leading firms active in all segments of the aerospace value chain. With annual sales of \$21 billion, Canadian firms are engaged in everything from the design and manufacturing of regional and corporate aircraft, flight simulation equipment, avionics, and space applications.¹⁴ The sector in Canada employs over 75,000 people. Canadian universities and colleges produce approximately 3,000 aerospace graduates every year.

Canada's vast size combined with its rugged topography encouraged the historical development of aircraft designs unique in the world, particularly in the area of short takeoff and landing (STOL) aircraft which have become the standard for international development. Building on its early successes, Canada's aerospace sector has evolved into a multi-tier industry offering unique investment opportunities in rapidly evolving supply chains within the civilian and defence aerospace sectors.

Canada is home to aerospace industry leaders

Potential investors in the aerospace industry will find themselves in good company if they choose Canada as their investment destination. Canada is home to some of the most recognizable top-tier names in the industry, including: Bombardier Aerospace, a major producer of turboprops and regional jets; Pratt & Whitney Canada, a world leader in the design and production of gas-turbine engines for the global turboprop, turbofan and turboshaft market; CAE, the world's largest supplier of commercial flight simulators; and Bell Helicopter Textron, one of the world's leading commercial helicopter manufacturers.

Canada is also a leader in space technology. It is the world's second-largest supplier of global navigation satellite systems equipment, and a world leader in space robotics, as demonstrated by the Canadarm2 which has become a critical component in the construction and operation of the International Space Station. Canada also leads the world in developing earth observation systems, having built more than 70 percent of all civilian multi-satellite earth observation ground stations around the globe.¹⁵



¹⁴ Foreign Affairs and International Trade Canada. *Canada—A Strategic Choice: Canada as an investment destination for aerospace*. 2008. p. 1

¹⁵ <<http://www.investincanada.com/en/industry-sectors/advanced-manufacturing/aerospace/advantages.aspx#space>> Accessed February 18, 2008.

Other Canadian strengths include: landing gear unmanned vehicle systems, structural assemblies, and avionics, especially in the fields of communications, power conversion, environmental control, and in-flight entertainment.¹⁶

Canada's Strategic Aerospace and Defence Initiative (SADI) provides R&D incentives

Canada's advantages as an investment destination for aerospace companies include a sophisticated R&D infrastructure that receives significant support from a variety of government tax incentives and exemptions. In addition to the treatment of depreciation rates for capital investments in the manufacturing sector announced in the federal budget in 2008, in early 2007 the Canadian government announced a new \$900-million Strategic Aerospace and Defence Initiative (SADI), designed to support aerospace R&D in Canada over the next five years. SADI is in addition to overall R&D tax incentives, such as Canada's flexible and market-based SR&ED program.

Investing in Canada also provides unparalleled access to the United States market, the world's largest single national consumer of aerospace goods and services. Indeed, typically more than 85 percent of Canada's aerospace exports are destined for the United States. As supply chains in the aerospace sector evolve, it is crucial for aerospace firms to locate close to their customers' R&D and project management centres, and to have access to a deep pool of technical expertise capable of delivering on their clients' requirements. Canada offers both proximity to the largest aerospace market in the world and a robust pipeline of graduates that firms can utilize to integrate themselves into the supply chains of top-tier aircraft and parts manufacturers in North America.

PRATT & WHITNEY CANADA: EXPERTISE IN ABUNDANCE



Alain M. Bellemare,
President,
Pratt & Whitney Canada

Pratt & Whitney Canada was founded 80 years ago in 1928 to act as a service centre for its parent company's aircraft engines. Headquartered in Longueuil, Quebec, just outside Montréal, Pratt & Whitney Canada currently employs more than 10,000 people worldwide—including more than 7,000 in Canada. It has built over 60,000 engines used in more than 190 countries and has a global mandate to develop and market smaller aircraft engines. As such, the Canadian operations have their own R&D, manufacturing, and marketing units. Since the development of its famous PT6 turboprop engine in the 1960s, Pratt & Whitney Canada has dominated its sector of the world market for aircraft engines.


Pratt & Whitney Canada works closely with a network of 16 universities across Canada. "Pratt & Whitney Canada is the number one R&D investor in the Canadian aerospace sector," says Alain Bellemare, President of Pratt & Whitney Canada. "Our company ranks Canada first internationally for access to well-educated workers. We get great people—graduates from first-rate engineering courses offered by Canadian universities."

¹⁶ Foreign Affairs and International Trade Canada. *Canada—A Strategic Choice: Canada as an investment destination for aerospace*. 2008. p. 1



Business and Professional Services

The Confederation Bridge is a symbol of the Canadian federation and a symbol of Canadian capabilities in engineering services. The 12.9-kilometre bridge opened in 1997 and links Prince Edward Island with mainland New Brunswick, Canada. The bridge cost \$1.3 billion to build, and is one of the longest continuous multi-span marine bridges in the world.



Business and Professional Services

Canada's business service sector records annual sales of \$65 billion, and offers a wide range of opportunities for international investors in engineering, logistics and supply chain management, and IT/BPO services.

Engineering services


Canada is recognized for its core strengths and capabilities in key business-service sectors. Engineering services provide a good example. With its international reputation for expertise in resource extraction, energy, telecommunications, transportation and infrastructure engineering, Canada's engineering-services sector records \$13 billion in annual sales, and employs 85,000 workers. Canada's engineering companies and subsidiaries of global engineering firms operating in Canada are at work in the field both in Canada and around the globe. Leading engineering firms operating in Canada include: Acres International, CH2M Hill, Conestoga-Rovers & Associates, Golder Associates, SNC-Lavalin, Stantec Canada, Tecsalt, Trow Associates and UMA Engineering.

Logistics and supply chain management services

With rapidly evolving and complex global supply chains, Canada is considered a North American centre for logistics and supply chain management services. The third-party logistics industry has been growing between 10 and 15 percent each year in Canada, with an annual turnover approaching \$50 billion. Several major logistics and supply chain management services firms have located their operations in Canada to take advantage of Canada's proximity to the United States, Europe, and Asia; its world-class transportation infrastructure including roads, railways, and airports; and low business taxes.

IT/BPO services

Canada has also demonstrated considerable expertise in nearshoring/offshoring, as well as a strong presence in the information technology and business process outsourcing services sectors. Canada remains the world's second BPO market (after India) with annual revenues of \$13.7 billion in information technology and business process outsourcing. The IT/BPO sector in Canada employs 150,000 workers in operations that are providing services to U.S. and global firms. Canada's \$14-billion nearshore/offshore industry represents 30 percent of the U.S. market for such services.



Scotia Plaza, Toronto

In fact, Canada remains an important location for global outsourcing despite a recent rise in the value of the Canadian dollar. Canada ranks fourth in terms of business environment and sixth in terms of people and skills availability out of 50 countries evaluated in the 2007 A.T. Kearney Global Service Location Index™.¹⁷ The study indicated that Canada's cost disadvantages as compared with developing countries are more than adequately compensated for by its superior communications infrastructure and skilled workforce. It is for these reasons that all of the major IT services firms have established operations in Canada, including Accenture, Capgemini, EDS, Infosys, Keane, Tata Consulting Services, and Wipro.

Financial Services

The financial services sector is a key foundation of any modern knowledge-based economy. Canada's financial sector is among the largest contributors to the Canadian economy, directly employing more than 750,000 Canadians—over 4 percent of Canada's workforce—at wages and salaries well above the national average. It also accounts for more than 6 percent of national GDP, up from about 4 percent 20 years ago. More importantly, the sector has evolved substantially over these past two decades and today comprises institutions that are dynamic, innovative and globally focused. On this latter point, Canadian financial institutions have made over \$60 billion in acquisitions outside Canada since 2000.¹⁸

The Canadian financial services sector is made up of banks, trust and loan companies, credit unions, life and health insurance companies, property and casualty (P&C) insurance companies, securities dealers and exchanges, mutual fund companies and distributors, finance and leasing companies, as well as independent financial advisors, pension fund managers and independent insurance agents and brokers.¹⁹

UPS: ENHANCING THE SUPPLY CHAIN

Enhanced supply-chain efficiencies were high on the list of criteria UPS needed to satisfy before investing, which was why the world's largest package delivery company and a global leader in supply chain services opted to build its new \$80-million, 74,320-square-metre logistics campus in Burlington, Ontario.

UPS has 936 "logistics facilities" worldwide, but the Burlington facility is the second-largest in North America and one of only a half-dozen international hubs. Strategically located near Canada's busiest highways, 45 minutes from the U.S. and within 50 kilometres of three international airports, it has a staff of 500 that receives 249,000 shipment units daily on behalf of 25 major clients—primarily major retail chains.



¹⁷ A.T. Kearney. 2007 Global Services Location Index. 2006

¹⁸ Canadian Bankers Association. <http://www.cba.ca>

¹⁹ Finance Canada. <http://www.fin.gc.ca/toce/2005/fact-cfsse.html>

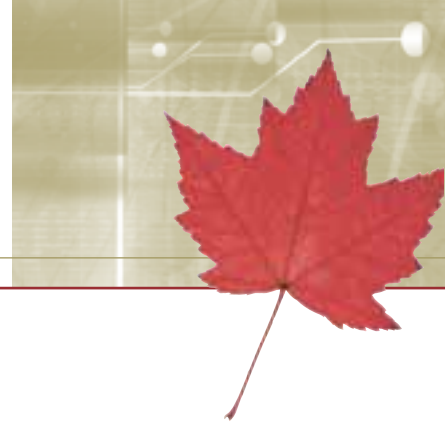


Environmental Technologies

Canada is a world leader in hydrogen and fuel cell technologies. The world's first hydrogen fuel cell-powered, zero emission transit bus was introduced at Science World in Vancouver, British Columbia. In 2009, Canada will run the first bus fleet in the world powered by hydrogen fuel cells.

Photograph Courtesy of Ballard Power Systems Inc.

Environmental Technologies



The increased global focus on environmental sustainability is fueling the search for and commercialization of environmental technologies, a field in which Canada is a global leader.

Canada's leadership in environmental technologies

Canadian firms are world leaders in the commercialization of niche environmental technologies. Foreign investors in this sector will find a deep pool of talented experts capable of delivering on their R&D priorities. Canadian firms are known not just for their technical R&D capabilities but also for their ability to build strategic global partnerships to increase the scope of sales, distribution channels, research and ongoing product design.

Canada-based firms such as Ballard Power Systems, Westport-Cummins, Xantrex Technologies, Carmanah Technologies, SNC-Lavalin, Zenon Environmental, BioteQ, Dessau, Stantec Consulting, Jacques Whitford and Bennett Environmental have transformed their respective environmental verticals and are on the leading edge of global R&D in this sector.

Canada's environmental technology expertise lies in a wide range of sub-sectors. These include:

- **Alternative Energy Technologies:** Wind energy, bioenergy, solar energy (photovoltaic and active), and hydrogen.
- **Waste Management and Soil Remediation Services:** Treatment and disposal technologies; collection, recycling and other equipment; and landfill design and operations.
- **Water and Wastewater Technologies:** Membrane and chemical treatments; disinfection technologies such as UV, chlorination, ozonation; and biological treatment.
- **Air Pollution Control Technologies:** Niche applications such as biofiltration; high-tech monitoring and analysis; and transportation and emissions control equipment.
- **Consulting and Engineering Services, including Infrastructure Design.** Services such as environmental risk assessments, environmental process engineering, and compliance audits.



As a result of Canada's expertise in diverse niche environmental technologies, the Canadian environmental technology industry comprises more than 10,000 firms employing 250,000 individuals and generating annual revenues in excess of \$18 billion.²⁰

Driving sustainable technologies

Sustainable Development Technology Canada (SDTC) is a not-for-profit foundation that finances and supports the development and demonstration of clean technologies which provide solutions to issues of climate change, clean air, water quality and soil, and which deliver economic, environmental and health benefits to Canadians.

SDTC operates two funds aimed at the development and demonstration of innovative technological solutions. The \$550 million SD Tech Fund™ supports projects that address climate change, air quality, clean water, and clean soil. The \$500 million NextGen Biofuels Fund™ supports the establishment of first-of-kind large demonstration-scale facilities for the production of next-generation renewable fuels.

PRENEAL: OPPORTUNITY BLOWING IN THE WIND



Christian Monod,
President,
Preneal Canada

Tax and labour advantages only partly explain why Spain's Preneal Internacional, a European wind-power company, set up new offices in Moncton, New Brunswick. An equally important factor in the equation is the Maritime province's inexhaustible supply of wind. Preneal Canada President, Christian Monod, says there is huge potential for wind power in Canada's Atlantic seaboard, and adds that he sees a real desire among consumers and investors to learn more about wind energy, which makes the timing of his company's move perfect.

Although wind power is just starting to get off the ground in New Brunswick, he says, it has been growing in Europe for the past 15 to 20 years, and the company is eager to export its technologies, and it sees Canada as a land of opportunity. "The Maritimes will be the real renewable energy hub of the East," he promises, adding that potential also exists in Quebec. "It started when it became obvious worldwide that the cost of manufacturing electricity with wind was by far much lower than the real cost of manufacturing with coal, fuel, gas, and nuclear. The reason the Maritimes are now coming into the game is because the public is demanding this development hoping to get the highest benefits out of it. Here, Preneal Canada is particularly proud to be able to fulfill this expectation by introducing its business model of co-ownership with communities allowing very substantial local financial and economic spin-offs at minimal or no risk for them."



Food Processing

Canada did not invent icewine—we only perfected it. Through careful research and process innovations, Canadian winemakers have mastered every step of the process from harvesting to pressing to fermenting to bottling and transportation. Today, Canada is the largest icewine producer in the world with consumers in Asia, Europe, North America and Latin America enjoying the sweet taste of Canadian icewine.



Food Processing

Canada offers global investors all the right ingredients for success in the highly competitive food and beverage processing industry. These include the ready availability of productive, skilled and reliable workers, significant cost advantages, reliable and inexpensive access to safe and high-quality raw materials, proximity to high-density markets, and some of the world's most advanced food technologies deployed throughout the food supply chain.



Canada is the world's fourth-largest exporter of agricultural products. The importance of the industry to the nation has resulted in an Agricultural Policy Framework designed to make Canada the world leader in food safety, innovation, and environmentally responsible production and processing of food.

The result is a globally respected industry with annual revenues of \$80 billion per year that offers the highest quality food products and a wide variety of opportunities to investors.

Canada has the most productive food and beverage sector in the world

A 2005 study published by the UK's Sector Skills Development Agency suggests that investing in Canada's food processing industry makes sense. *An International Study of Sector Skills and Productivity* ranked Canada first in food and beverage productivity.²¹ The Agency compared Total Factor Productivity (TFP), which is widely considered to be the most comprehensive measure of an industry's productivity. TFP considers the contribution of education, training, and technical skills, as well as organizational and management capacity.

The secret of the high level of productivity growth in Canada is the recognition that R&D is a crucial component of any food-processing industry. Canada's R&D tax treatment is among the most generous in the industrialized world. In addition to operating 19 research centres across Canada, Agriculture and Agri-Food Canada (AAFC) operates a Matching Investment Initiative program that provides companies with dollar-for-dollar funds when they participate in qualifying research projects. Many of Canada's universities offer leading-edge programs in agricultural life sciences, considered among the world's best.



²¹ UK Sector Skills Development Agency. *Sectors Matter: An International Study of Sector Skills and Productivity*. p. 46

Canada is world renowned for the production of high-quality agricultural commodities and inputs that are used to support Canada's food-processing and industrial-agriculture sectors. Strong agricultural production supports other links along the value-chain including the feed industry, biofuels production, live animal production, processed foods, and ingredients for beverage processing, such as malt barley and rye. Top-quality grain products complement a meat-products industry founded on the highest-quality livestock. Strict animal health standards, combined with scientifically-developed animal care and feeding systems, as well as state-of-the-art processing technologies, allow the Canadian industry to provide customers with wholesome, great-tasting meat products.

Innovative and sustainable seafood management practices have transformed Canada into a world leader in the fish and seafood sector. As many as 160 products from three oceans are exported from Canada to more than 130 countries in fresh, smoked, canned or frozen form.

No fewer than 120 food-product crops are grown across Canada, from internationally identifiable fruits and vegetables, to unique sub-species such as fiddlehead greens and Saskatoon berries, to world-famous Canadian maple syrup. Canada's wine industry continues to gain international respect and recognition for its strict quality standards introduced by the Vintners Quality Alliance (VQA). Canada is the world's largest producer of "ice wine", a sweet dessert wine deriving its unique taste from grapes harvested frozen from the vines. Canadian rye whiskey is as legendary around the world—and as ubiquitous—as Canadian bacon.

KELLOGG: CANADA'S COST AND TRANSPORTATION ADVANTAGES

Kellogg Canada, a division of Kellogg International and the leading manufacturer of ready-to-eat cereal in the country, has the distinction of having been an integral part of the Canadian food-processing environment since 1914. In the fall of 2006 it went looking for a location for its first new plant in 20 years, and the unanimous choice was Belleville, Ontario, where a combination of civic support and access to transportation were cited as reasons for building a new, 18,580-square-metre cereal production facility that will employ 100 individuals.

"The Belleville site was the right choice for a number of reasons including convenient transportation routes, total cost to manufacture and the welcome we've received from the City of Belleville, the Bay of Quinte Region and the Province of Ontario," says Jeff Montie, President, Kellogg North America. "We'd like to thank the City, Region and Province for their cooperative spirit and outstanding partnership with Kellogg."

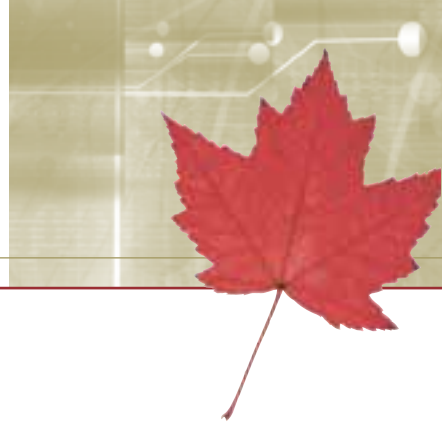




Industrial Materials

Located 30 kilometres west of Calgary at the foothills of the picturesque Rocky Mountains, Shell Canada's Jumping Pound gas processing plant pioneered the recovery of sulphur from natural gas which revolutionized the global gas processing industry.

Chemicals



With value chains in chemical industries becoming increasingly complex, Canada offers unparalleled location and logistics advantages coupled with a deep chemicals manufacturing base that will benefit foreign investors in this sector.

Canada's chemical industry is one of the nation's great industrial success stories. It is one of the largest manufacturing industries in the country employing more than 85,000 workers in more than 2,100 firms. Almost every major chemical company in the world currently has production or R&D facilities in Canada, including BASF AG, Dow Chemical, Shell Chemicals, Bayer AG, ExxonMobil, DuPont, and Mitsubishi Chemical.

Shipments by Canada's chemicals industry reached \$52.2 billion in 2006—third among all manufacturing industries in Canada—with exports totaling \$27 billion. Fully 80 percent of these exports were primarily directed toward the U.S. market, the largest in the world for consumer and industrial chemicals.

A diverse manufacturing base and an integrated North American market translates into business success

With its diverse manufacturing base, Canada's chemical industry appeals to global investors attracted by cross-sector advantages not available in competing economies. In addition to providing critical components for use in a broad range of industries, including bio-pharmaceuticals, aerospace, and resource processing, the chemical industry in Canada also serves industrial sub-sectors such as petrochemicals, industrial gases, pigments, as well as other inorganic and organic chemicals, resins, and synthetic fibres. The symbiotic and mutually beneficial relationship between the chemical industry and related industries is illustrated by the fact that the average new car contains chemicals worth more than \$3,000, and Canada produces 17 percent of the cars manufactured in North America.



Location is another key strategic reason investors choose Canada. The Sarnia-Montreal corridor in eastern Canada—a significant chemical industry cluster in the country—is just within 12 hours trucking distance from 70 percent of all U.S. markets. In western Canada, the petrochemical industries of Alberta serve a regional market of more than 50 million consumers across North America. Access to worldwide markets is facilitated by a modern and well-maintained network of rail and road connections to modern seaports on both the Atlantic Seaboard and the Pacific Rim. Canada also offers an extensive pipeline network connecting central Canada and the United States.

Investor opportunities exist in a number of clusters of excellence, making Canada the right strategic choice for global investors. For example, Alberta is North America's low-cost ethylene producer. Enormous opportunities are also emerging with respect to petrochemicals derived from oil sands and ethane from natural gas developments across northern Canada. Investing in Nova Scotia's ethylene-based petrochemical industry shows promise as well, given the growth in gas development taking place in this eastern Canadian province.

Finally, given the high degree of complexity of the chemical industry's supply, procurement, and distribution networks, logistics and supply chain management are important issues for foreign investors. Here, Canada offers one of the most sophisticated logistics and transportation systems in the world with all of the major global logistics firms having established operations in Canada.

DUPONT: BUILDING ON A HISTORICAL RELATIONSHIP

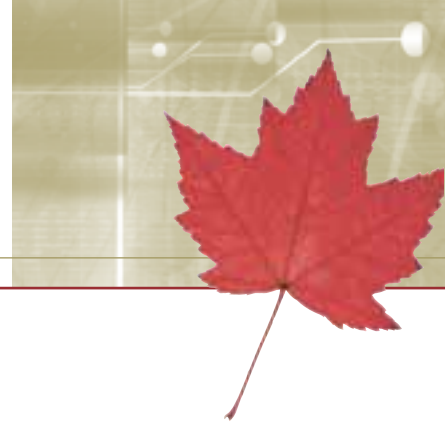
DuPont can rightly claim to have been with Canada at the start. The company's history stretches back to 1862 when it started out as Hamilton Powder, a company whose products were used to clear the way for the railroad lines then being built to tie the nation together.

Hamilton Powder's early success attracted the attention of Lamont du Pont, who purchased shares in the company and joined its board of directors. The relationship between DuPont and Canada has grown deeper over the years, and today as many as 3,300 Canadians are employed in DuPont operations in Canada.

"Canada is the most efficient and effective location in the world to carry out market-based technology development. Canada has a bank of trained professionals, it has government support for R&D, and it is highly connected to the global business-operating infrastructure. This is the formula for business innovation," says William B. White, President of Dupont Canada.



Plastics



Canada's \$18-billion plastics industry is the world's fourth-largest exporter of plastic moulds. With nearly 2,700 plastics companies employing 129,000 highly skilled workers, Canada's plastics industry offers tremendous potential to foreign investors seeking access to North American markets.

Canada is a prime investment location for plastics manufacturing companies serving the North American market. It offers investors low production costs in a highly export-oriented industry that shipped 54 percent (\$18.1 billion) of its output abroad in 2006.²² Canada has core strengths in plastics, including the distinction of being the world's fourth-largest exporter of moulds and the world's eighth-largest exporter of plastics processing machinery.²³

Canada is home to nearly 2,700 plastics companies employing 129,000 highly skilled and mobile employees. In addition to its expertise in moulds and machinery, Canada also boasts significant new capacity investments in synthetic resins thanks to the future development of offshore gas in eastern Canada.

Plastics manufacturing firms based in Canada can count on deriving benefits not only from the sophistication and maturity of the industry itself, but its integration with related industries that utilize its products, including the auto industry. Canada produces nearly 17 percent of the vehicles manufactured in North America and the average new car contains 120 kilograms of plastic materials.²⁴ The industry is also closely integrated with other highly developed sectors including aerospace, medical devices, and telecommunications manufacturing.

Canada's proximity to the United States, and its NAFTA membership, make it the pre-eminent gateway to the vast U.S. market—the ultimate destination for 90 percent of Canada's plastics exports.

Canada also offers investors sector-specific training as well as a strong plastics research infrastructure that includes the Industrial Research and Development Institute, the National Research Council, the Institute for Chemical Process and Environment Technology, and the Institute for Research in Construction.



²² Foreign Affairs and International Trade Canada. *Business Sectors Bureau & International Business Opportunities Centre—Canadian Plastics Industry*. p. 2

²³ *Ibid* p. 2

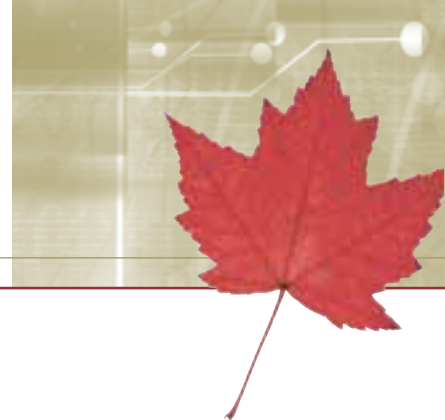
²⁴ <http://www.ic.gc.ca/epic/site/plastics-plastiques.nsf/en/home>



Information and Communications Technologies (ICT)

MSAT, short for Mobile Satellite, is a satellite-based mobile telephony service developed by the National Research Council of Canada. MSAT is the industry standard for satellite-based mobile telephony services including providing more accurate GPS navigation capability, satellite-based mobile telephony services, and vehicle and container tracking services.

Wireless Communications



Canada's talent pool in the wireless technologies and applications sector has resulted in major global players establishing operations in wireless industry clusters across the country.

Canada's core strengths in wireless technologies and services are complemented by the presence of R&D units set up by global giants such as Nokia, Ericsson, Siemens, Alcatel-Lucent, and Microsoft. These companies join Canada's home-grown technology stars which include Research in Motion (RIM), Nortel Networks, and Sierra Wireless—all global leaders in their respective market segments.

Strong wireless cluster activity in Canada

Canada plays host to a network of regional wireless clusters where prominent players in the industry coordinate activities, source R&D expertise, test products and applications, and develop content across the country. Wireless equipment, products and solutions are now delivered by more than 400 companies located in Canada with 21,000 employees, generating \$18 billion in annual revenues. Wireless services generate an additional \$14 billion in revenues, with annual growth approaching 17 percent.²⁵ These services are delivered through a digital network that spans 1.3 million square kilometres—larger than the UK, Germany and France combined.

Wireless technology activity in Canada has been driven by the establishment of flagship multinational R&D centres, among them Ericsson's Canadian Centre of Excellence in Montréal (the largest outside Sweden), and Nokia's Product Creation Centre in Vancouver. These centres are engaged in leading-edge research and benefit from generous tax credits and other government incentives at both the federal and provincial levels.

These benefits include the Scientific Research and Experimental Development (SR&ED) program which provides \$1.5 billion in expenditures supporting over 11,000 companies for up to 65 percent of their total R&D investment.²⁶



²⁵ Foreign Affairs and International Trade Canada. *Canada—A Strategic Choice: Canada as an investment destination for wireless and multimedia*. 2008. p. 1

²⁶ Kazam Technologies. *Promoting Wireless Investment into Canada*. January 2008. p. 30

Canadian universities are also key drivers of basic and applied wireless research in Canada, having completed more than \$5.2 billion in private sector-commissioned research and development over the past 10 years.²⁷

↑ This critical mass of activity is encouraging multinational organizations and small-business entrepreneurs alike to set up shop in major Canadian cities where wireless clusters are located, including Ottawa, Waterloo, Winnipeg, Calgary, Montréal, and Vancouver. By establishing themselves in these milieus, companies realize immediate strategic advantages, including ready access to a well-educated workforce, research innovation synergies, and leading-edge educational institutions.

NOKIA: THE RIGHT PRODUCT, THE RIGHT PLACE



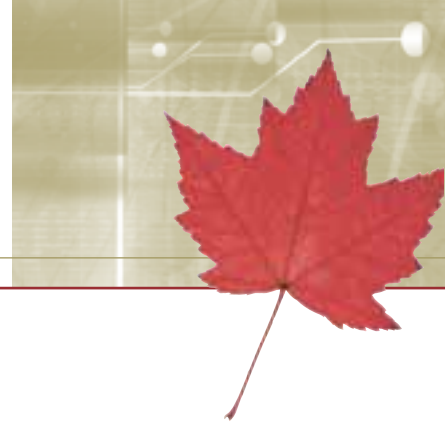
William Sermon
*Vice President Multimedia Design,
Multimedia,
Nokia*

The history of Nokia in Canada goes back to 1979, and it would surprise most people to know that the Finnish conglomerate's first products upon arrival in North America included tires and footwear. The world has changed a lot since then, and so has Nokia; the company is now recognized as a world leader in wireless communications technologies.

One thing that hasn't changed, however, is its faith in Canada. Canada's enthusiastic embrace of cutting-edge communications technologies has established it as both a market and a location for wireless technologies research and development, thanks in large part to clusters of excellence located across the country. In addition to facilities in Ajax and Ottawa, in Ontario, Nokia operates a Product Creation Center in Vancouver, British Columbia, that is responsible for designing next-generation wireless devices and services. It stands as the only mobile terminal R&D facility in Canada and one of only 12 worldwide.

"Nokia chose Vancouver for its Product Creation Center because of the deep pool of talent in the multimedia and gaming segments of the market", says William Serman, Vice President Multimedia Design at Nokia. "Vancouver was also a great place to locate Nokia's multimedia group given its location on the Pacific west coast between our offices in Tokyo and Helsinki. From Vancouver, we also have complete access to content developers across the U.S. west coast," says Mr. Sermon.

Enterprise Application Software



Enterprise Application Software (EAS) is a \$30-billion-plus global industry. The Gartner Group forecasts that with 10 percent annual growth, the EAS market should reach \$43 billion by 2011.²⁸ Canada is not only an important market for EAS applications, it is also an important hub for software engineering and development with many of the world's leading EAS service providers and systems integrators located in Canada.

Canadian firms and global subsidiaries have already established themselves as solutions providers in a broad range of EAS applications including accounting, operations management, enterprise resource planning, customer relationship management (CRM), supply chain management (SCM), electronic commerce, and business intelligence software. Canadian expertise is also evident in both enterprise content and business process management.

Canada is a centre of EAS activity

Canadian firms have achieved global prominence in the EAS field, including Cognos (recently acquired by IBM), which has a significant presence in the business intelligence market, and Open Text, which has established a leadership position in the enterprise content management space. Numerous global vendors and systems integrators have also made significant investment in their Canadian development operations, including industry giants such as IBM, SAP, Sage, Adobe, Oracle, Microsoft, and Sun Microsystems.

Canada also boasts a number of EAS growth firms that possess specific market expertise in business applications and software, including: Optimal Payment (payment processing); BrainHunter (human resource management software); Workbrain (enterprise workforce management); 20-20 Technologies (design); Enghouse (enterprise systems); Descartes (SCM); Tecsys (SCM); Medisolution (healthcare); Emergis (financial and healthcare); and Matrikon (SCM).



²⁸ Gartner Dataquest. Forecast: Enterprise Application Software, 2006-2011. October 2007

Canada represents a significant market for EAS at nearly \$1 billion and it is also the gateway to the lucrative U.S. market, which was valued at \$13.6 billion in 2007. NAFTA has established a platform for economic integration at most levels of business between Canada and the United States.²⁹

As result of a combination of skills, innovation, proximity to the United States and cultural similarities and other location drivers, Canada remains the world's No. 2 market (after India) for business process outsourcing (BPO) with annual revenues of \$13.7 billion in information technology and BPO.³⁰ Despite the narrowing cost advantage, Canada remains a key player in the global scene due to the ability of its workforce to handle complex technology integration and development.

Companies like home-grown CGI Group and x wave have become global players in the IT outsourcing business, and Canada has attracted significant investment from the major global outsourcers including: IBM Global Services, EDS, Computer Sciences Corporation, Accenture, Wipro, Satyam Computer Services, Infosys, Convergys, and Unisys. The outsourcing operations are not simply local market centres, but multi-million dollar investments designed to support global clients.

MICROSOFT: LOCATION, LOCATION, LOCATION



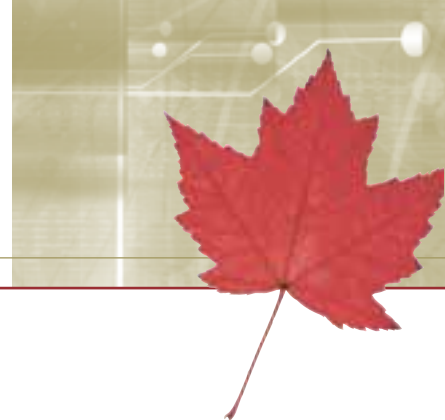
Phil Sorgen,
President,
Microsoft Canada Co.

Canada's embrace of computing technologies first brought the iconic software developer to Canada in 1986. Since then, Canada's software development strengths and the ready availability of its highly skilled workforce have led to numerous expansions, most recently in Vancouver, where the company decided to locate a new development centre, one of only a handful to operate internationally outside the company's Redmond, WA, headquarters. Vancouver was chosen in part because it is a global gateway with a diverse population. Its convenient location near the U.S. border also provided the company with the flexibility of recruiting and retaining highly skilled people affected by the immigration issues in the United States.

"The economic climate in this country makes Canada a great place to do business," says Phil Sorgen, President of Microsoft Canada. "Microsoft is committed to investing in Canada and we hope that other Canadian and multinational companies recognize the opportunities here as well. Microsoft is a global company, and our greatest asset is smart, talented, highly skilled people. Our goal as a company is to attract the next generation of leading software developers from all parts of the world, and Canada is a beacon for some of that talent."

²⁹ Gartner Dataquest. *Forecast: Enterprise Application Software, 2006-2011*. October 2007.

³⁰ Accenture Inc. *The State of Canadian Outsourcing: Leap Frogging or Standing Still*.



Canada's digital content talent pool, entrepreneurial zeal, and new media infrastructure are major reasons why electronic games developers have made significant new investments in the Canadian market.

Canada's got game

Canada is one of the world's top producers and consumers of video games. Canada's electronic gaming and multimedia industry comprises more than 2,300 firms and 18,000 employees. The industry is experiencing annual growth of more than 20 percent, with revenues exceeding \$3.5 billion. Driving this growth are some of the most recognizable names in the electronic gaming industry, including: Electronic Arts, Ubisoft, Radical Entertainment, Rainmaker Entertainment, KOEI, and Toon Boom. These companies have helped create regional clusters of activity that draw in talent and media assets from across the world. In a 2005 survey published in the magazine *Fast Company*, Vancouver—home of Radical Entertainment and Electronic Arts—was named the “Hollywood of the video game”.

Canada has two of the largest video game studios in the world. Electronic Arts, the world's largest producer of video games employs almost 30 percent of its workforce in Canada, including more than 1,800 employees at its studios in British Columbia. Ubisoft, the world's fourth-largest game maker, employs more than 1,500 in its Montréal studios and plans to double that number over the next five years.

Canada's gaming industry comprises a number of major players as well as numerous entrepreneurial startups. Canadian studios are producing many of the most popular video and computer games in the world, and are showing at the top of global rankings. One recent ranking of UK retail sales by Develop 100 found Canadian developers in seven of the top 50 spots, including the first spot for the third year running.³¹



³¹ Develop 100. <http://www.develop100.com>

Canadian gaming and new media companies are also heavily involved in Web 2.0 and social networking revolution. They are experts at leveraging media properties to generate new revenue streams, for example, building ads into games and mobile services, and charging users subscription fees for online games.

Government incentives

In order to encourage even more investment in this rapidly expanding sector, the Government of Canada offers a range of Scientific Research and Experimental Development (SR&ED) tax credits for gaming companies. The SR&ED is further supplemented by tax incentives by provincial governments. British Columbia, Quebec and Ontario offer tax incentive plans for video game developers to help offset labour costs.

In addition to these tax incentives, Canada also offers other types of assistance to smaller game developers through the National Research Council's Industrial Research Assistance Program (IRAP). IRAP provides financial support for commercialization of technologies, and access to a specialized network of gaming-specific professional resources that can assist game developers to establish their game assets.

ELECTRONIC ARTS: IT'S ABOUT TALENT



Rory Armes,
Senior Vice President and
Group General Manager,
Electronic Arts

British Columbia's gaming industry has grown into a major global hub, with 86 studios now producing games and scores of companies providing support and other services. Together they produce \$1.4 billion in annual revenues and provide jobs for more than 5,000 employees.

Rory Armes, group general manager with Electronic Arts, believes British Columbia's post-secondary schools are doing a good job of aligning programs with the needs of the games industry. "The core building blocks of a game are programming, art and audio, and the schools in B.C. are strong in these areas," says Armes, whose company hires many new employees from Canadian universities and colleges. "New grads come into our studios with a good skill set and base of knowledge."



Life Sciences

The electron microscope is an indispensable tool used by scientists and researchers in a wide range of disciplines. The first-ever practical, high-resolution electron microscope used for all types of samples was invented by James Hillier and Arthur Prebus, postgraduate students working in the Physics Department of the University of Toronto, Canada.



Biotechnology

Canada is a significant player on the global biotechnology scene, and its presence is steadily growing thanks to leading edge research programs taking place in Canada and strong financing and venture capital programs available to Canadian-based biotech enterprises.

With more than 500 biotechnology firms and 15,000 highly skilled employees, Canada ranks second, behind the United States, in terms of the number of companies engaged in biotechnology research, third in revenues, and fifth in biotechnology invention.³² According to the 2007 Ernst & Young *Global Biotechnology Report*, capital raised by the Canadian biotech industry increased 79 percent in 2006, the biggest single-year increase ever.³³ Similarly, revenue growth in the sector has been substantial, growing from \$813 million in 1997 to \$4.12 billion in 2005.³⁴

The tremendous growth in Canada's biotechnology sector can be attributed in part to government assistance at all levels. The number of firms that use biotechnology for the purpose of developing new products or processes increased in Canada from 282 in 1997 to 532 in 2005. More than 70 percent of such firms in Canada were located in Ontario, British Columbia and Quebec.³⁵ These three provinces together receive more than 90 percent of the total biotechnology revenues. Montréal, in particular, is an international hub for genomics development with research institutions such as Genome Quebec Innovation Centre and McGill University.

R&D taking place in several biotechnology verticals

Although the industry's backbone is in the area of human health (52 percent of revenues), Canada's biotechnology companies have demonstrated expertise in a broad array of disciplines, including agriculture, aquatic and marine biosciences, bioinformatics, and the environment.³⁶ Canadian firms are also recognized as world leaders in the fields of genomics, proteomics, immunotherapy, protein engineering, and new drug delivery systems.

It is worth noting that Canada's diverse geography has spawned biotechnology clusters across the country specializing in a broad range of disciplines. For example, companies specializing in augmenting food production are located in the agricultural Prairie provinces—Alberta, Saskatchewan and Manitoba. Similarly, companies specializing in aquaculture and marine sciences are located in provinces that border the Atlantic and Pacific seaboards.



³² Foreign Affairs and International Trade Canada. *Canada's Biotechnology Sector—Pre-Posting Sectoral Briefing*. May 2006. pp. 2-3

³³ Foreign Affairs and International Trade Canada. *Canadian Biotechnology Sector*. p. 15.

³⁴ *Ibid.* p. 3

³⁵ *Ibid.* p. 3

³⁶ *Ibid.* p. 3

Bio-Pharmaceuticals

Canada's value propositions in the bio-pharmaceutical sector have attracted practically every major pharmaceutical company in the world to invest in Canada, including: AstraZeneca, Amgen, Aventis, Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Eli Lilly, Merck Frosst, Novopharm, Novartis, Pfizer, and Wyeth Pharmaceuticals.

Canada is the fourth fastest-growing market in the world for pharmaceutical products. Pharmaceuticals are a high growth sector in Canada—expanding at a rate of 10 percent annually since 1997—with domestic production in 2005 valued at \$9.4 billion. Drug sales by manufacturers in Canada (domestic and foreign) totaled \$16.1 billion in 2005: \$11.5 billion in patented drugs and \$5 billion in generic and brand name, non-patented drugs.³⁷

The pharmaceutical manufacturing sector in Canada directly employs 40,000 individuals—two-thirds in brand name companies—and an additional 35,000 individuals working indirectly.³⁸

Given Canada's aging population, pharmaceuticals represent an increasingly important component of Canadian health care—and a growth opportunity for investors. Pharmaceutical products already account for nearly one-fifth of health care spending, more than the cost of physicians, and second only to the cost of hospital infrastructure.

The sector benefits from a number of competitive advantages: a thriving biotechnology industry, a well-educated workforce with highly trained scientists and technicians, business-friendly government policies, R&D incentives, and expertise. These advantages go a long way toward explaining why practically every major pharmaceutical company in the world has invested in Canada.

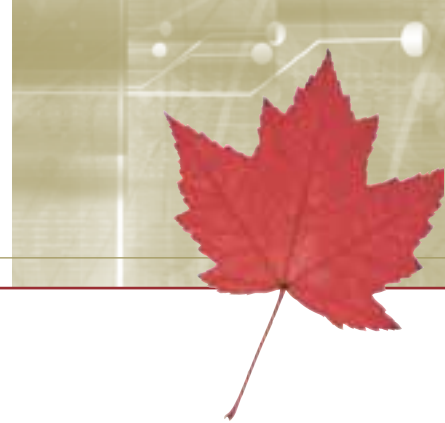
Canada is a leader in key industry verticals

Canadian researchers have an international reputation for solving the R&D issues of the pharmaceutical industry, and Canada is a recognized leader in key disciplines including: vaccines, regenerative medicine (stem cells and neuroscience), cardiovascular applications, psychotherapeutics, health-related nanotechnology, materials sciences for medical devices, and cholesterol medicines, to name a few.

Canadian pharmaceutical companies are also making great strides in the area of biotechnology. According to an Industry Canada study published in 2005, no fewer than 500 Canadian bio-pharmaceutical products were in the pipeline, with cancer the most common indication, followed by infectious diseases and neurological disorders.³⁹

³⁷ Industry Canada. <<http://strategis.ic.gc.ca/epic/site/lsg-pdsv.nsf/en/hn01656e.html>>
³⁸ Ibid.

³⁹ Foreign Affairs and International Trade Canada. *The Canadian Biopharmaceutical Industry Technology Roadmap*. p. 44



Strong R&D linkages between academia and industry

The need to develop new drugs is essential both for alleviating human suffering and creating new revenue streams for investors. This process is expensive and time consuming. Yet, Canada's bio-pharmaceutical industry undertakes highly collaborative R&D work to mitigate these challenges.

Augmenting private-sector R&D is Canada's health science research community, consisting of more than 30,000 investigators in 16 medical schools, and over 100 teaching hospitals and research institutes eager to participate in public-private sector research initiatives.

The Canadian government supports R&D by assisting investors at every stage of development, from startup and onward through the discovery pathway. The government's generous R&D incentive programs help companies leverage their own R&D budgets. R&D spending in this sector in 2005 amounted to \$1.5 billion. Canada also provides 20-year patent protection for brand-name products.

SANDOZ: CANADA FULFILLS SEARCH FOR CORE COMPETENCIES



Pierre Fréchette,
CEO,
Sandoz Canada

International investment decisions in today's highly competitive global pharmaceutical and bio-pharmaceutical industries must take into account ready access to a highly trained workforce with relevant skills. The existence of just such a skills network brought Sandoz—the generics arm of Swiss pharmaceutical giant Novartis—to Boucherville, Quebec, in 2004 when it acquired Sabex. Canada's well-established reputation for providing R&D support, and the opportunity to operate in the world's sixth-largest market for generic drugs were other key factors in the acquisition.

The move allowed the company to gain a global growth platform in the fast-growing injectable generics business, while at the same time acquiring an FDA-approved manufacturing facility. "The decision to invest in Canada was based on the recognized existing expertise in a specialty area of drug development and manufacturing," says Sandoz Canada president and CEO Pierre Fréchette. "The existing local core competencies ensure on-time completion of complex projects. Local infrastructure, the ability to recruit and retain qualified personnel, and favorable tax incentives for R&D were also part of the value proposition." Ultimately, he says, "The success of the local Canadian operations is based on the talented, qualified and stable workforce. The track record in delivering our commitments and the flexibility in adapting to diverse market requirements are also critical success factors."

Medical Devices

Canada's medical devices sector benefits from Canada's strengths in related technologies and disciplines and is geared to manufacturing quality devices meeting stringent international criteria.

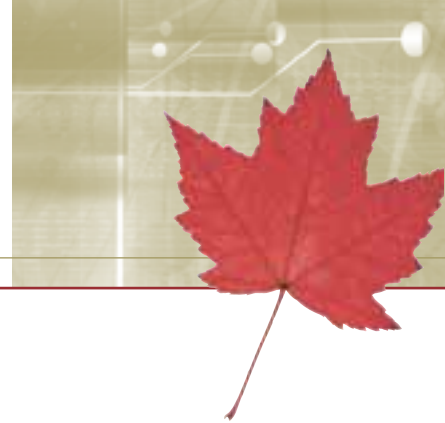
Canada offers global medical device manufacturers tremendous opportunities in rapidly expanding domestic and international markets. With sales at \$5 billion annually, the medical device industry in Canada employs more than 35,000 highly skilled workers in as many as 1,500 facilities ranging in size from global manufacturers with international strategies to entrepreneurial small and medium-sized enterprises serving niche markets.⁴⁰ Core strengths of the Canadian medical devices sector include: the development of cardiovascular devices, including heart valves and cryoablation systems; medical imaging technologies together with archiving systems and intra-operative MRI; *in vitro* diagnostic tools that allow for the identification of HIV, cardiac markers, and cancer; dental implants and materials; and assistive devices and home care products.⁴¹

The sector also benefits from the advanced nature of related technologies and disciplines characteristic of the Canadian economic mosaic, including biotechnology, telecommunications, software and informatics, photonics, robotics, microelectronics, and the availability of advanced materials R&D facilities.

Major international players include Abbott Laboratories, which first came to Canada in 1931, and now employs 1,200 individuals at manufacturing and distribution centres across Canada, and McKesson, a world leader in medical imaging technology. Other major international firms include Baxter, 3M, Bard, St. Jude, Siemens, Sulzer, and Mitroflow.

Sector geared toward exports

Export destination countries represent major markets for Canadian device manufacturers. Canadian companies exported \$2.5 billion in medical devices in 2005. Exports of Canadian devices are strengthened by progressive Canadian regulations mandating that medical devices manufactured in Canada specifically for export do not require Canadian regulatory approval. This export provision has prompted foreign-owned companies to undertake export manufacturing from a Canadian base. In addition, NAFTA allows virtually unfettered access to the vast U.S. market. Canada's exports of medical devices increased at a compound annual growth rate of 10.5 percent from 2000 – 2005.⁴²



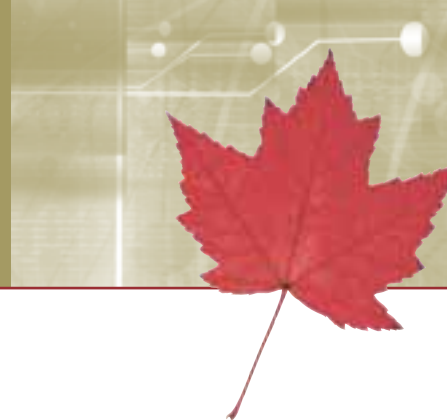
⁴⁰ Foreign Affairs and International Trade Canada. *Canada's Health Sector (Medical Device and Pharmaceuticals) Pre-Posting Sectoral Briefing*. May 2006. p. 3

⁴¹ Canada's Health Sector (Medical Device and Pharmaceuticals) Pre-Posting Sectoral Briefing May-June 2006. Slide 7.

⁴² Industry Canada. *Canada: Your Innovation Partner. Canadian Medical Devices Industry*. 2006. pp.2

Invest in Canada: **At Your Service**

Services Available to Foreign Investors



Canada has a global network of investment and trade professionals present in more than 150 cities worldwide to assist you in making Canada your next investment destination. Whether you are considering your own Canadian operation, working with a Canadian partner, or gaining a Canadian base for access to North American markets, Canada is where you have to do business.

Once you have contacted one of our investment and trade professionals, you can count on excellent and confidential service. Canada's investment professionals will provide you with strategic intelligence and put you in touch with the right decision-makers in Canada.

We offer the following services to our clients:

- Strategic market intelligence on your specific sector in the context of the Canadian and North American marketplace;
- Direct contact with key decision-makers in the federal, provincial, regional and municipal governments;
- Referrals to a variety of contacts with private-sector industry associations and professionals such as bankers, lawyers, accounting firms, and information specialists;
- Information and advice on how to set up a business in Canada, taxation, R&D incentives, regulations and financial and non-financial government programs specific to your sector;
- Facilitation of site visits to support you in the identification of a strategic location for your investments and enhance your business opportunities/strategic alliances in a welcoming environment; and
- Assistance in developing a business case for your next investment decision.

Our global network will show you why Canada is your strategic choice for growth.

Contact the Canadian Embassy, High Commission, or Consulate nearest you, or visit our website at: www.investincanada.gc.ca/globalnetwork

You can also contact us at:

INVEST IN CANADA BUREAU

Foreign Affairs and International Trade

111 Sussex Drive, 3rd Floor

Ottawa, ON, Canada K1A 0G2

Email: investincanada@international.gc.ca





Our People

Canada has an experienced team of investment professionals ready to assist you in making your next investment decision. Here is a sample of our team and what they have to say about their experiences and the passion with which they do their work.



Bonny Berger, Monterrey, Mexico

"During the course of my career, I have been on assignments across Asia (Korea, Japan, India and Vietnam), and from Paris all the way to Mexico.

"My postings have provided me with invaluable exposure to some of the world's most dynamic firms, allowing me to acquire and then share my experience and insights with clients, resulting in a more strategic approach to their investment decision-making."



Gary Luton, Mumbai, India

"One of the most effective ways for businesses to expand into international markets is to invest. My job is to provide targeted, high-quality information and market intelligence to corporate decision-makers. I explain the advantages of investing in Canada in its own right and as a point of entry into the huge North American/NAFTA market."



Catherine Dickson, London, England

"London is a dynamic marketplace that is Canada's most important trade, investment and innovation partner in Europe. We work closely with a wide range of UK companies and have helped such UK-based global giants as Astra Zeneca and Rio Tinto expand in Canada, as well as smaller and exciting ventures establish operations including Babel Media, Eidos and Dyson. All of us on the investment team here at the Canadian High Commission in London pride ourselves on providing a value-added, confidential and free consulting service that encourages and facilitates UK companies' efforts to expand existing operations in Canada or establish new ventures."



Margaret Lange, Buffalo, United States

"In this global economy, Canada needs to enhance technology-rich investments to remain competitive. Innovation and investment are closely connected.

"The key service provided by Investment Counsellors is the work we do in our respective territories identifying technologies and companies that can add value for Canada. The result may be a technology transfer, a partnership, or a foreign direct investment that benefits both the foreign investor and Canada."

Hiroyuki Kunitake, Tokyo, Japan

"I've had the privilege to be involved in a number of successful investments in Ontario's automotive sector, ranging from Toyota's new RAV4 manufacturing plant in Woodstock, Honda's new engine plant in Alliston, and Ube Industries' aluminium wheel manufacturing plant in Sarnia.

"These investments have contributed significantly to the creation of jobs for Canadians and form an important part of Japanese automakers' North America strategies. I am proud to be part of the process that helps foreign investors."



Zulfi Sadeque, Chicago, United States

"Having served in Delhi, Los Angeles and now Chicago, I feel that the key difference that my colleagues and I make is the bridging role we play between foreign investors and our in-Canada partners. It is incredibly satisfying for us when our business case for investing in Canada persuades a foreign investor to get on a plane to come to Canada, "kick the tires" to pick a site for their plant or facility, and finally to see our Canadian partners close the deal."



Pierre Pyun, Beijing, China

"What motivates me every day is establishing strong first contact for potential investors, and opening the doorway for them to an extensive network of government and industry contacts across Canada. This allows me to become both a partner and an actor in every step of their strategic decision-making."



Patrice Hidalgo, Paris, France

"In the last ten years, I am particularly proud to have assisted several French software companies, as well as small and medium-sized gaming/imaging studios, to set up their business in Canada, namely: GFI, Aire Informatique, Arkadin, Kynogon, Virtools, CellFish, and ToutenKartoon.

"Thanks to their Canadian base, these companies have secured their global market share by offering their innovative solutions to clients in North America.

"Today, lots of computer users and game players in North America don't even know that they are now working or playing on software and games developed by a French subsidiary in Canada!"



Detlef Engler, Berlin, Germany

"I take pride in providing reliable, hands-on and prompt value-added services to companies before, during and after their commitment to invest in Canada. Their success is my business!"



Michelyne Paulin, Moncton, Canada

"As a member of the Investment team working in Canada, it is my privilege to coordinate the team of colleagues at the Provincial and Community level to ensure that potential investors find in their chosen location the key ingredients to their business success: from industrial and telecommunications infrastructures, to the labour pool with the right skills, and also access to the science and technology they need. The job is not finished with the investment decision, the Canadian team will continue to work with the investor to ensure their objectives are met in the long run and to address any hurdles they may encounter in their establishments in the country. Canada has so much to offer, most investors in Canada do subsequent investments!"





Our Partners

Invest in Canada and the provincial and territorial governments partner to provide you with the right support for your Canadian investment project. The following list outlines provincial and territorial investment promotional organizations throughout Canada:

ALBERTA

Alberta Employment, Immigration & Industry
www.alberta-canada.com

BRITISH COLUMBIA

Invest British Columbia
www.investbc.com

MANITOBA

Invest in Manitoba
www.gov.mb.ca

NEW BRUNSWICK

Business New Brunswick
www.gnb.ca

NEWFOUNDLAND AND LABRADOR

Department of Business
www.nlbusiness.ca
www.business.gov.nl.ca

NOVA SCOTIA

Nova Scotia Business Inc.
Nova Scotia Economic Development
www.gov.ns.ca

NUNAVUT

Canada-Nunavut Business Service Centre
Community Economic Development Division
www.lookupnunavut.com

NORTHWEST TERRITORIES

Department of Industry, Tourism and Investment
www.iti.gov.nt.ca

ONTARIO

Ministry of Economic Development and Trade
www.investandtradeontario.com
www.2ontario.com

PRINCE EDWARD ISLAND

Invest PEI
Prince Edward Island Business Development
www.investpei.com
www.peibusinessdevelopment.com

QUEBEC

Invest Quebec
Department of Economic Development, Innovation and Export Trade
www.investquebec.com
www.mdeie.gouv.qc.ca

SASKATCHEWAN

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"Innovation Nation"



Think Competitive. Think Creative. Think Connected.

Think **Canada**

When most people think about Canada, they think about its wonderful and warm people, natural beauty, and yes, its cold climate. But Canada is a nation of innovators and entrepreneurs who have had a big impact on the quality of life of people around the world. Indeed, Canada is a global leader in innovation: foreign investors can expect to find deep clusters of innovation in a wide variety of sectors throughout the country.



Light bulb

If you think Edison invented the light bulb, think again. In 1874, two Canadians—Henry Woodward and Mathew Evans—patented the first electric light bulb after testing it successfully in Toronto. They then sold the patent to Thomas Edison. So, the next time you turn on the lights, Think Canada.



Telephone

The next time you pick up the phone, Think Canada. Alexander Graham Bell, a man considered to be one of the most important inventors of the 19th century, was born in Edinburgh, Scotland, but made many of his greatest scientific discoveries, including the telephone, on Canadian soil.



Insulin

For millions of diabetics around the world, insulin medication is the difference between life and death. The man who discovered insulin, Dr. Frederick Banting, was Canada's first Nobel Prize winner.



Cobalt-60 "Bomb" Cancer Treatment

Around the world, millions of cancer patients have a new lease on life because of another Canadian's invention. Harold Jones improved the survival rate of hundreds of thousands of cancer patients through his development of the Cobalt-60 machine as well as his early work with CT scanners in mammography.



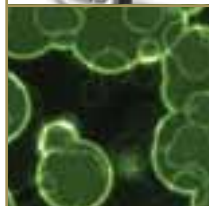
Standard Time

Time is Money. Did you know that standard time was invented by a Canadian, Sir Sandford Fleming, one of the architects of the Canadian Pacific Railway? The next time you check your watch to make it to that conference call across different time zones, Think Canada.



BlackBerry™

The wireless hand-held phone with email and Internet connectivity is developed and manufactured in Canada by Research in Motion (RIM). Can you live without your Canadian BlackBerry™?



Compound 3TC for HIV/AIDS Treatment

3TC was invented by Bernard Belleau and Nghe Nguyen-Ga at the Montréal-based IAF BioChem International, Inc. laboratories in 1989. Initially designed as an antiviral agent, 3TC is essential in the treatment of HIV/AIDS (in combination with AZT).



Radio Voice Transmission

Many feel that Reginald Fessenden—not Marconi—should be considered the true "Father of Radio". Fessenden, a Canadian, transmitted history's first wireless voice message in 1900. Then, in the year 1906, on Christmas Eve, he made the first radio voice broadcast—singing a carol to ships in the Atlantic and as far away as the Caribbean.



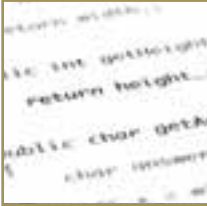
Canadarm

Canada's most famous robotic achievement, the Canadarm was developed by Spar Aerospace and the National Research Council of Canada. Over the years it has lifted a variety of payloads in NASA's space shuttle program.



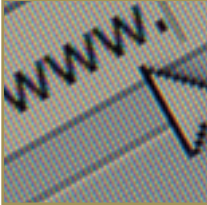
Electron Microscope

Postgraduate students working in the Physics Department of the University of Toronto, James Hillier and Arthur Prebus developed the first ever high-resolution electron microscope for use in all types of specimens. Biological research has not been the same since.



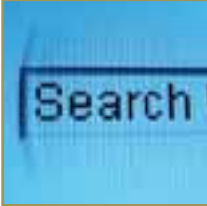
JAVA

James Gosling, another Canadian, developed the Java programming language used worldwide in a variety of applications from publishing to advertising to animation.



XML

Extensible Markup Language (XML) is touted by many to be the next revolution in the World Wide Web. XML was co-developed as a standard to structure information by a Canadian, Tim Bray.



ARCHIE

Canadians have played an important part in the evolution of the World Wide Web. ARCHIE, the world's first Internet search engine, was developed in 1990 by Alan Emtage, Bill Heelan, and Peter Deutsch in Montréal. ARCHIE was designed to query selected FTP archives on a regular basis—a type of web-crawling still used by today's Internet search engines.



Key Frame Animation

Canadian scientists, Nestor Burtnyk and Marcelli Wein, eliminated the need for animation artists to draw each and every frame. Their invention revolutionized the animation industry. With clusters in Montréal, Vancouver, and many other cities across the country, Canada has one of the largest pools of talent in the animation and gaming industries in the world.



G-suit

The first G-suit was developed by a team led by Dr. Wilbur Franks at the University of Toronto's Banting and Best Institute in 1941. Franks' G-suit used water-filled bladders around the legs and were used in World War II. Today, G-suits are worn by aviators and astronauts around the world.



IMAX

The next time you really want to see a movie on the 'big' screen, Think Canada's IMAX theatres. Developed in 1967 by four Canadians—Graeme Ferguson, Roman Kroitor, Robert Kerr, and William C. Shaw—IMAX Corporation has since become the world's leading-edge film and digital imaging technology company, playing films in more than 280 theatres across 40 countries.



Black Holes Exist!

While the existence of black holes is common knowledge today, Canadian astronomer, Dr. C.T. Bolton was the first to provide the observational proof that black holes exist. In 1972, Bolton's research on Cygnus X-1 as a black hole spawned a whole new discipline of knowledge in astrophysics.

Think Creative. Canada's contribution to

Innovation

Glycemic index ■ Insulin ■ Pabulum ■ Visudyne™ for macular degeneration ■ Plate tectonic theory ■ Radiation therapy ■ T-cell receptor ■ Wheat rust combatant ■ Light-activated drugs ■ Phosphorous contamination theory ■ Canola ■ Episodic and semantic memory function ■ World's first artificial cell ■ Permeable reactive barriers ■ Synthesis of RNA for medical research ■ CPAP device for sleep apnea ■ Compound 3TC for HIV/AIDS treatment ■ Functional Electrical Stimulation machine for paraplegics ■ PRS™ Probe for crop optimization ■ Plexiglass ■ Voice compression technology ■ Fibrillex™ for inflammatory disease ■ Heart pacemaker ■ Airline anti-icing processes ■ E.coli vaccine ■ Triple-Axis Neutron Spectroscope ■ Hyperdimensional geometric theory ■ Concrete fibre reinforcement technology ■ Levulan® Topical Photodynamic Therapy for skin conditions ■ Hip replacement surgery advances ■ Brain telementoring robotic surgery ■ Site-directed mutagenesis ■ DNA profiling ■ Chemical Vapor Deposition ■ Steam-Assisted Gravity Drainage for oil sands ■ Canola-based fuel ■ Stabiox industrial sludge treatment ■ High-Speed DNA Sequencer ■ V-chip for child-friendly TV ■ GIS crime tracking ■ High-performance concrete ■ Electron microscope ■ Lamivudine for chronic hepatitis B (HBV) infection ■ Mapping of SARS gene ■ Atrial Natriuretic Factor discovery and isolation ■ Cystic fibrosis screening test ■ Diamond coating process for tools ■ Paleoecological environmental assessment ■ Ultrasound microimaging ■ Intraoperative MR System ■ Thermal accelerometer ■ Liquid helium ■ Satellite remote sensing technology ■ Elliptic curve cryptography ■ Stream ecology ■ Micro-robot for advanced eye surgery ■ Automated gene synthesizer ■ Carcino-embryonic antigen (CEA) test ■ Radon ■ Classification system for congenital heart diseases ■ Map of the human brain

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