

INVEST IN CANADA



S U M M A R Y R E P O R T - 2 0 1 1 E D I T I O N

Canada's World-Class Economy

Canada's economy is one of the world's most advanced and dynamic. Its performance regularly outpaces comparable economies in Asia, Europe and North America.

- **Consistent Growth** – Canada's economy is the world's ninth largest, at US\$1.57 trillion – larger than that of Russia, India or South Korea.
- **Home to Global Companies** – Twenty-seven of the *Financial Times* "Global 500" companies are located in Canada. More top global companies have headquarters in Canada than in Germany, India, Brazil, Russia or Italy.
- **Outpaces G-7 Countries** – Canada's economy grew faster than every other G-7 country over the last 10 years, founded on:
 - ◇ low corporate taxes;
 - ◇ prudent fiscal management and financial regulation;
 - ◇ a business climate that rewards innovation and entrepreneurship; and
 - ◇ an open economy that welcomes foreign direct investment.
- **Poised for Growth** – Canada will continue to grow faster in 2011 and 2012 than other G-7 countries, with the possible exception of the United States, according to the International Monetary Fund (IMF).
- **Weathering the Global Recession** – Canada's economy came through the global economic recession in better shape than all other industrialized countries, and Canada is the only G-7 country to have recouped all output and employment losses.
- **Low National Debt** – Despite a \$62-million stimulus program, Canada's net debt burden is projected to increase by just 9.8 percentage points over the next five years, reports the IMF.
- **World's Soundest Banking** – The World Economic Forum reports that Canada's banking system is the world's soundest—a fact of vital importance to investors, given the new spotlight on banking safety and stability. Not a single Canadian bank required a bailout during the economic recession.
- **Safe Banks** – For the second consecutive year, six of North America's 10 safest banks are Canadian, thanks to best-in-class financial regulations and a strong balance sheet.
- **Responsive Banks** – Canadian banks and financial institutions are responsive to providing global investors with competitive rates.



*All dollars in Canadian currency,
unless otherwise specified.*

Unmatched Investment Climate for Foreign Investors

Hundreds of the world's foremost global companies have invested billions of dollars by establishing plants or offices in Canada.

■ Top Global Competitiveness Rankings

- ◇ No. 1 in the G-7 and no. 4 globally as the country in which to conduct business over the 2010-2014 period (Economist Intelligence Unit).
- ◇ No. 1 in the G-7 and the Organisation for Economic Co-operation and Development (OECD) for the lowest number of procedures required to establish a new business (World Bank Group).
- ◇ No. 1 in the G-7 and no. 2 in the OECD on the strength of its investor protection regulations (International Institute for Management Development).

- **Low Corporate Income Taxes** – The federal corporate tax rate was cut to 16.5 percent in January 2011 and will be cut again to 15 percent in 2012, bringing combined provincial and federal corporate income taxes on new business investment to 26 percent, more than 13 percentage points below U.S. rates.

- **Duty-Free Manufacturing Tariff Regime** – Canada is the first country in the G-20 to offer a tariff-free zone for industrial manufacturers. Tariffs on all manufacturing inputs will be reduced to zero by 2015. The initiative applies across the entire country, making Canada one large free trade zone for firms importing manufacturing inputs.

- **Cost-Competitive Location** – Canada leads the G-7 in low business costs, with an overall advantage of 5 percent over the United States (KPMG's *Competitive Alternatives* 2010 report).

- **Attractive to Foreign Investors** – Canada was the world's seventh-largest recipient of foreign direct investment (FDI) inflows, on a per capita basis, from 2000 to 2009. The total stock of FDI in Canada in 2010 was \$561.6 billion—a level that had more than doubled in 10 years.



Advanced Research and Development Capability

From next-generation cars to smartphone technology, Canadian innovations touch the lives of millions worldwide.

- **Turning Knowledge into Profits** – Canada offers some of the most lucrative R&D tax credits and accelerated deductions for research expenditures in the world. All companies based in Canada that invest in R&D can benefit—irrespective of size, industry sector or technology area—as long as they perform qualified R&D.
- **Accelerated Deductions** – Eligible expenses include salaries, overhead, capital expenditures, materials and subcontracted research services.
- **R&D Tax Credits** – The Canadian Scientific Research and Experimental Development Tax Incentive Program offers a 35-percent tax credit for qualified R&D expenditures up to \$3 million and a 20-percent non-refundable tax credit for research expenditures over \$3 million.
- **Provincial Tax Credits** – Provincial governments top up federal tax credits with a number of programs, enabling foreign investors to save an average of 30 cents for every dollar invested in R&D in Canada.
- **Growing R&D Spending** – Total expenditures on R&D amounted to \$29.2 billion in 2010—a 26.3-percent increase over 2001. Private-sector personnel working full-time in R&D increased by an impressive 74.1 percent from 1999 to 2008.
- **Cost Advantage** – The advantages of doing research and development in Canada are clear. The cost of R&D in Canada is the second lowest in the G-7, as much as 12.9 percent lower than in the United States.
- **Economic Success** – Nine of Canada's top 25 corporate R&D spenders in 2009 were foreign investors. At the height of the global financial crisis, these companies increased their R&D expenditures by a full 6.5 percent from 2008 levels.



An Educated, Diverse and Vibrant Workforce

Investing in our people is a core Canadian value, and Canada's workforce has the skills and motivation needed to achieve excellence.

- **Superior Education** – The quality of Canada's educational system is outstanding (*The Global Competitiveness Report 2010-2011*, prepared by the World Economic Forum). Canada ranks:
 - ◇ no. 1 in the G-7 in the quality of its education system (no. 5 in the world);
 - ◇ no. 1 in the G-7 in the quality of management schools (no. 3 in the world);
 - ◇ no. 1 in the G-7 in the quality of primary education (no. 9 in the world); and
 - ◇ no. 1 in the G-7 in the quality of math and science education (no. 10 in the world).
- **Top Business Schools** – Canada's business schools rank among the world's best. In 2010, four of the top 10 business schools in the world were Canadian, reports *Bloomberg Businessweek*.
- **Post-Secondary Degrees** – More than half of all working-age Canadians have a post-secondary education—second highest among OECD countries.
- **Strong Science Skills** – Canada ranks no. 1 in high school science skills in the OECD.
- **Multicultural Advantage** – Canada is a diverse society with a multicultural, multilingual workforce—a unique advantage for companies serving global markets. Twenty percent of Canadians have a mother tongue other than English or French.
- **Quality of Life** – Canada's quality of life, highlighted by its inclusiveness, its respect for diversity, and the safety of its cities, attracts creative, talented workers from around the world. Vancouver, Ottawa, Toronto, Montreal and Calgary rank as the five best cities in North America, reports Mercer LLC in its well-regarded 2010 *Quality of Living* survey.
- **Attractive to Specialized Workers** – Canada is where the most sought-after workers in the world want to live and work. Canada ranks no. 1 in the G-7 for offering equal opportunities to individuals (IMD *World Competitiveness Yearbook* 2010).



Location. Location. Location.

Unparalleled proximity to the vast U.S. market and the fastest shipping times from Asia and Europe to the heartland of North America.

- **World-Class Infrastructure** - Recent multibillion-dollar investments have further improved Canada's world-class transportation infrastructure, allowing efficient shipments of goods from Canada to the heartland of North America.
- **NAFTA Advantages** - With the North American Free Trade Agreement (NAFTA), foreign companies have access to a deeply integrated market—Canada, the United States and Mexico—with 453 million consumers and a combined GDP of US\$17.1 trillion.
- **Doing Business with the U.S.** - Canada and the United States share a deep and mutually beneficial commercial relationship. More than US\$1.7 billion in goods and services cross the Canada-U.S. border every day. Seventeen of Canada's 20 largest cities are within a 90-minute drive of the U.S. border.
- **Free Trade Agreements** - Canada has concluded eight more free trade agreements, including with Colombia, Peru, Jordan, Panama and the European Free Trade Association states of Iceland, Liechtenstein, Norway and Switzerland.
- **International Ports** - Canada's ports infrastructure is one of the best in the G-7, as reported by the World Economic Forum. Deep-water ports like Halifax, Prince Rupert and Vancouver service the world's largest vessels and connect North America to fast-growing Asian and European markets.



Advanced Manufacturing

“For us, Canada is a country of enormous opportunity.”

Elyse Allan, President and CEO of General Electric Canada

Aerospace

- The Canadian aerospace industry ranks fifth in the world, despite competing in this sector against many larger economies.
- The sector generated annual revenues of \$22.2 billion in 2009. Exports represent 80 percent of output, and 57 percent of all output is exported to the United States.
- The sector invests heavily in R&D, with spending of \$1.9 billion in 2010 (78 percent of which is non-military).
- The Canadian aerospace industry employs 83,000 highly skilled workers and has a payroll of \$4.6 billion. Across Canada, universities graduate 3,000 students annually, at the undergraduate, graduate and PhD levels, in top aerospace engineering programs.
- Canada’s aerospace industry supplies one third of global demand for small gas-turbine engines, enjoys a 70-percent share of the global market for visual simulators, and supplies 25 percent of the market for civil helicopters and one third of the market for landing gear.

Automotive

- Canada is part of a fully integrated North American automotive market with annual sales of about 20 million vehicles and \$US260 billion in original equipment parts. Canada’s share accounts for 17 percent and has an installed capacity of 2.5 million units a year.
- The auto industry is the country’s largest manufacturing sector, accounting for 12 percent of Canada’s manufacturing GDP. The industry comprises more than 1,300 companies and 109,345 workers.
- Capital investment in Canada’s automotive industry is significant, averaging \$3.5 billion annually from 2001 to 2010.

- The Economist Intelligence Unit consistently rates Canada’s business environment as the best in the world among auto-producing nations.
- The auto sector has been supported by strong R&D investment of about half a billion dollars annually over the past decade.
- Canadian assembly plants are known worldwide for top quality. For six of the last 10 years, two Canadian plants were rated best in the western hemisphere in the *J.D. Power and Associates Initial Quality Study*.



Machinery and Equipment

- Canada’s machinery and equipment manufacturing sector recorded sales of \$26.8 billion in 2009 and continues to attract international investment.
- The industry is attracted to Canada by a skilled workforce and relatively low production costs. Canada boasts the highest proportion of engineers in the G-8 and the lowest statutory payroll costs in the G-7.
- Two other determining factors for investment are proximity to major customers across North America and provincial manufacturing and R&D tax credits.

Agri-food

“Canada remains a very important region to Bunge’s growth strategy because of the increasing global demand for canola oil.”

Soren Schroder, President and CEO of Bunge North America

Food Processing

- Canada is a global agri-food powerhouse with many advantages: abundant, high-quality raw materials at competitive costs, innovative R&D, and ready access to global markets.
- In 2009, foreign direct investment in the food-processing sector totalled over \$23.8 billion.
- Canada is no. 1 in the G-7 for low food-processing costs, reports KPMG’s *Competitive Alternatives* 2010 report.

Grain and Oilseed Processing

- Canada is world renowned for its top quality and competitively priced grain and wheat products.
- In 2008-2009, Canada exported 33 million tonnes of grain and wheat flour. The value of Canada’s cereal, grain and oilseed exports reached approximately \$14.8 billion.

- Canada’s stringent system of food-quality assurance makes export commodities such as wheat flour, semolina and other milled grain products among the very best in the world.
- Canada leads in the development of new varieties of grain and oilseed. Canola, developed in Canada, is the source for canola oil—considered one of the healthiest oils.

Confectionery and Bakery Products

- Sugar users in Canada have access to a reliable supply of high-quality refined sugar at world prices. This gives them a distinct advantage over their counterparts in the United States, which protects its sugar market.
- Canada’s thriving confectionery, biscuit and bakery industries are global leaders in exports to the United States. Close to 50 percent of U.S. biscuit and bakery imports come from Canada.

Functional Foods and Nutraceuticals

- With over 680 firms actively producing healthy products, this sector yields annual revenues of over \$3.7 billion.
- The industry’s success stems from Canada’s strength in natural resources, stringent quality and safety standards, an innovative research infrastructure, and an environment of collaborative teamwork between public and private partners.



Chemicals and Plastics

“As one of the world’s largest producers of potash, Saskatchewan is right at the centre [of the demand for fertilizer].”

Jim Prokopanko, President and CEO of the Mosaic Company

Chemicals

- The chemical industry is Canada’s third-largest manufacturing exporter. It consists of 2,900 companies and employs 70,710 workers. Chemicals shipments were valued at \$44.9 billion in 2010, including exports worth \$28 billion (75 percent to the United States).
- Nine of the 10 largest chemical companies in the world have production facilities in Canada.
- The sector continued its strong recovery in 2010, with sales of basic chemicals and resins up 14 percent over 2009 and operating profits up 73 percent to \$2.3 billion. Export sales grew 19 percent.
- Substantial reserves of natural gas provide a readily available source of competitively priced feedstock and allow for low-cost production of ethylene and its derivatives.
- Biotechnology is now being used to create organic chemicals, some of which are produced from biomass feedstocks like corn and wheat. As technologies based on bio-waste become more viable, Canada will be a global player, given the resources derived from its agricultural and forestry industries.

Plastics

- With the estimated value of 2010 shipments at \$16.8 billion (including exports of \$6.7 billion), Canada boasts a sophisticated, multi-faceted plastics sector.
- Canada’s large pool of highly skilled machinists and technicians is an important asset. Canadian firms have internationally recognized expertise in high-quality injection moulding, thermoforming machinery, blown-film extrusion systems and extruders for corrugated pipe.

- The Canadian industry is closely integrated with other advanced manufacturing sectors such as aerospace, automotive, medical devices and telecommunications.
- Canada is a leader in research for producing plastic resins from biomass. As oil prices rise, companies that are ready to make use of alternative feedstocks—which Canada has in abundance—will enjoy cost advantages to gain new markets.
- Large energy reserves and a skilled workforce adept in state-of-the-art technology are driving growth in the synthetic-resin industry. Shipments in 2010 were valued at \$6.5 billion, including \$5.5 billion in exports.



Clean Technologies

“This investment [of \$47 million with the Province of Nova Scotia] is expected to support Daewoo’s strategy of diversification into the wind-energy sector and expansion into the North American market.”

Sang-Tae Nam, President and CEO of Daewoo Shipbuilding & Marine Engineering Co., Ltd.

Renewable Energy

- Integration with the North American electrical grid ensures access to the world’s largest market, while tax and R&D credits, along with federal and provincial incentives for renewable sources of power, increase return on investment.
- The ecoENERGY for Renewable Power program provides nearly \$1.48 billion to increase Canada’s supply of clean electricity from renewable sources such as wind, biomass, hydro, geothermal, solar and ocean energy.

Bioenergy

- Canada continues to pioneer, develop and commercialize a range of biofuels, including ethanol, biodiesel, pyrolysis oil and cellulosic ethanol.
- Wood pellets represent an increasingly attractive fuel source for power generation. Canada’s 33 wood pellet plants have a capacity of 2 million tonnes, and another 20 plants are under development to meet high demand from Europe.
- Canada generates strong opportunities in biogas waste-to-energy processes. For instance, a large commercial facility will transform Edmonton’s municipal garbage into 36 million litres of bioethanol per year.

Wind Energy

- With the world’s longest coastline, large freshwater lakes, vast interior plains and multiple mountain ranges generating unparalleled wind resources, Canada is ideal for wind-power generation.

- In the next five years, investments will reach \$4 billion annually and employment will hit 15,000. Canada’s total installed wind-energy capacity is currently 4,155 MW. By 2015, Canada expects to generate at least 12,000 MW.

Solar Energy

- Nearly 350 solar-photovoltaic companies operate in Canada, providing employment to 3,000 people. The country’s total installed capacity represents more than 250 MW.
- Canada is a world leader in solar-power research, development and commercialization.

Environmental Technologies

- As recognized world leaders in environmental engineering, Canadian firms are breaking new ground in fields such as waste management, water treatment and soil remediation.
- With sales valued at more than \$4.1 billion, the environmental goods and services market in Canada consists of some 8,500 firms.
- Canada’s air-quality control industry has a reputation for top-quality innovative solutions. Its environmental regulatory alignment with the United States, together with leading-edge research networks, means foreign investors can look to Canada as a base for access to the entire North American marketplace.
- The Federal Contaminated Sites Action Plan is contributing to the creation of close to 590 remediation projects across the country by the end of 2011.

Information and Communications Technology

“Montreal’s diversity and open orientation makes for a much more innovative environment to work in.”

Miguel Caron, CEO of Funcom Games Canada Inc.

Digital Media

- For decades now, Canada has attracted some of the world’s largest digital media companies. Canada is ranked third in the world for developing video games and is home to eight of the world’s top 10 video games publishers.
- Canada’s interactive digital media industry consists of some 3,000 companies and over 52,000 employees. The estimated value of their products is \$3.8 billion.
- Two Canadian studios are ranked third and fourth on Develop 100’s list of the top 100 most bankable games development studios. In 2009, there were 12,500 games developers in Canada—up 30 percent in just one year.
- Canada’s multimedia visual effects innovations—like Maya® and Houdini—are the products of choice in Hollywood and have received Academy Award nominations.

Software

- *Software Magazine* lists 38 Canadian companies among the top 500 global software companies for 2010.
- For high-value-added activities, Canada’s loaded labour costs are competitive with those of other comparable countries.
- Gartner Group forecasts that Canada will represent 2.5 percent of the global enterprise application software market, or US\$3.6 billion, by 2011.



- Canada’s public funding initiative helps bolster the country’s e-health industry. Canada is investing up to \$12 billion over 10 years as part of its health “infostructure.”
- Canada’s \$1.2-billion e-security sector is developing innovative hardware, software and services that protect sensitive personal and business data and assets. The e-security sector commissioned Canadian universities to perform \$5.2 billion worth of IT security-related R&D services over the past 10 years.

Wireless Communications

- Canada’s 300 wireless technology firms are major players in WiFi, mesh networks, WiMAX, RFID, UWB, SDR, and broadband, satellite and fibre-optics applications.
- Canada’s wireless carriers invest over \$1 billion annually in mobile communications infrastructure.
- Wired and wireless telecommunications firms dominate R&D in information and communications technology, with \$6.2 billion spent annually.
- Canadian firms like Research In Motion (BlackBerry®) and Sierra Wireless (AirCard®) are grabbing global attention with their innovative mobile platforms and devices.
- QNX Software Systems and Alcatel-Lucent Canada are at the forefront of mobile broadband with their LTE Connected Car concept.

Life Sciences

“Our company expanded operations into Canada to take advantage of a skilled workforce and innovative R&D facilities.”

Frank Ciriello, Senior Vice-President of Eisai Inc.

Biopharmaceuticals

- Canada’s pharmaceutical sector is a leading global player and one of the most profitable sectors in the country. Canada is the fourth fastest-growing pharmaceutical market, after Brazil, China and Spain.
- Canadian biopharmaceutical exports have increased dramatically in recent years. Exports were valued at nearly \$7 billion in 2009, with most shipments going to the U.S. market.

- Every one of the world’s top 10 pharmaceutical multinationals has R&D and manufacturing facilities, distribution centres and offices in Canada.
- The industry is renowned for its high-quality, cost-effective research and clinical development. Private firms collaborate with and tap into the research conducted by the country’s 30,000 researchers in 17 medical schools and over 100 teaching hospitals.
- Employment indicators show that pharmaceutical manufacturing is thriving in Canada with over 28,000 employees, a 20-percent increase over the past decade.

Medical Devices

- Canada’s \$7-billion medical device industry is one of the largest in the world. Exports reached \$2.6 billion in 2009, with most destined for the United States. More than 1,000 firms are engaged, employing 26,000 workers.
- Canada produces high-demand products that leverage the latest discoveries in biotechnology, advanced materials, microelectronics, telecommunications, software and informatics.
- Canada had the lowest costs for establishing and operating a medical device manufacturing facility among the G-7, reports KPMG’s *Competitive Alternatives* 2010.
- Access to ground-breaking research conducted in Canada’s universities, research institutes and hospitals underpins the industry’s success. Both Toronto and Montreal have medical technology clusters. The world’s first mobile MRI unit was created by the National Research Council’s Institute for Biodiagnostics, the country’s most advanced facility for studying magnetic resonance technologies, located in Winnipeg.



Services

“A healthy and educated middle class, stable political climate under parliamentary democracies, and a welcoming investment culture made Canada a sound choice for Macquarie to grow our international operations.”

Paul Donnelly, President and CEO (Canada) of the Macquarie Group

Business Services

- Canada has significant expertise in business process outsourcing, human resources management, customer relationship management, knowledge process outsourcing, financing and accounting, data mining, application development labs, business continuity and disaster planning support. These services contributed \$60.6 billion to the GDP and employed 1.2 million Canadians in 2009.
- A.T. Kearney rated Canada no. 3 in the world for the quality of its business environment in 2011.
- Canada is the world's third-largest exporter of engineering services, after the United States and the United Kingdom, and has more than 160,000 professional engineers.
- Canada is the world's second-largest provider of business process and information technology outsourcing to U.S. firms. IDC forecasts that Canada's IT outsourcing market reached \$15 billion in 2010, an increase of 4 percent over 2009.

Financial Services

- Canada's banking system is the soundest in the world, as reported by the World Economic Forum for the third straight year.
- In 2009, the financial services sector brought more foreign direct investment to Canada than all but two sectors: manufacturing and mining, and oil and gas.
- Canada has a strong and sophisticated regulatory system, which helped shelter it from the most severe effects of the global financial crisis of 2008.

- Moody's Investors Service ranks Canada's banking system first in the world for financial strength. Six of the world's 50 safest banks and four of North America's 10 largest banks are Canadian.
- Canada's financial services sector has grown and diversified to include banks, financial cooperatives, insurance companies and independent insurance agents and brokers, securities dealers, and managers of pension and mutual funds.



Getting Started

Whether your company plans to establish its own operation in Canada, is looking for a Canadian partner or wishes to gain a Canadian base for access to North American markets, Canada wants to do business with you—and we are in the business of making it easy.

Invest in Canada partners with the provincial and territorial governments to provide you with the right support for your Canadian investment project.

Contact the Canadian embassy, high commission or consulate nearest you at:
<http://flagship.investincanada.com/contactus>

or

Invest in Canada
Foreign Affairs and International Trade Canada
111 Sussex Drive
Ottawa, ON, Canada K1N 1J1
Email: investincanada1@international.gc.ca
Website: <http://flagship.investincanada.com>

© Her Majesty the Queen in Right of Canada, 2011

Catalogue No.: FR5-24/1-2011
ISBN: 978-1-100-53095-6