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CANADA

A BOTTOM LINE

INVESTMENT

PERSPECTIVE



Canada^{ca}

This publication documents the many advantages that Canada offers investors. It demonstrates that Canada's economic fundamentals are sound, with solid growth prospects, low inflation and strong productivity growth. The highly skilled and loyal labour force, competitive production costs, and supportive government policies have resulted in a business environment that continues to attract international investment, and in which Canadian-based companies are showing solid growth in exports to world markets.

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All figures are quoted in Canadian dollars.

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TABLE OF CONTENTS

CANADA - A PROFITABLE SITE FOR BUSINESS	1
TWELVE DECISIVE FACTORS POINT TO ONE BOTTOM LINE CONCLUSION	5
1. WORLD'S RICHEST MARKET	5
2. COMPETITIVE WAGE AND BENEFIT RATES	6
3. AN EDUCATED AND SKILLED WORKFORCE	7
4. HEALTHY LABOUR RELATIONS	9
5. INTERNATIONAL BUSINESS SKILLS	10
6. A STRONG RESEARCH AND DEVELOPMENT COMMUNITY	11
7. ABUNDANT RAW MATERIALS	12
8. VAST, LOW-COST ENERGY SUPPLIES	12
9. ADVANTAGEOUS OCCUPANCY COSTS	14
10. SOPHISTICATED AND EFFICIENT INFRASTRUCTURE	15
11. A LESS LITIGIOUS ENVIRONMENT	16
12. WORLD-CLASS BUSINESS SERVICES	17
SUPPORTIVE GOVERNMENT POLICIES	18
FREE TRADE: UNIQUE OPPORTUNITIES FOR INTERNATIONAL INVESTORS	24
A SAFE, SOPHISTICATED WAY OF LIFE	26
CANADA'S BOTTOM LINE ADVANTAGES	29

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CANADA - A PROFITABLE SITE FOR BUSINESS
THERE IS ONLY ONE REASON TO CHOOSE CANADA AS A
BASE FOR BUSINESS OPERATIONS - THE BOTTOM LINE



Canada is a trading nation, with a long history of success in international business. A winning combination of a well-educated labour force, competitive input costs, and supportive government policies has fostered international confidence in Canada as a site for business investment. Few destinations offer investors lower aggregate risk or more profitable opportunities.

A MAGNET FOR INTERNATIONAL BUSINESS

Multinational companies have historically played a key role in the Canadian economy. Investor confidence in Canada is demonstrated by the presence of many international companies, the growth in international investment, and the rise in the value of Canadian equities. The stock of foreign direct investment

in Canada grew by close to 70% between 1984-93, reaching some \$146 billion in 1993, with annual gross inflows averaging \$10 billion in recent years.

While American companies continue to account for the greatest proportion of existing, foreign-owned assets, European investment accounted for the largest share of the growth in such assets in Canada since 1985. Asian investments are also on the upswing.

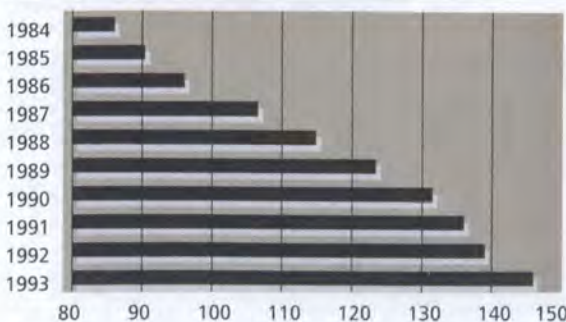
Most of the world's largest corporations have major investments in Canada. Seventeen of the world's 20 largest industrials (as ranked by Fortune) have production facilities in Canada. Most of the U.S. majors are here. Overseas investors include many of the largest Asian and European companies, such as Honda, Nissan, Mitsubishi and Toyota of Japan; Hyundai of Korea; Siemens of Germany; Ericsson of Sweden; L'Air Liquide and Michelin of France; Dowty, Glaxo, and ICI of the U.K.; Philips of the Netherlands; and Ciba-Geigy, Nestlé, ABB, and Oerlikon Aerospace of Switzerland. Increasingly, these American, Asian, and European companies are using plants in Canada as a location of production for North American or worldwide markets, or are sending skilled Canadian service workers on assignments in other countries.

"THE BOTTOM LINE IS THAT YOU ARE 27 MILLION PEOPLE - A HARD-WORKING, RESOURCE-RICH, POLITICALLY STABLE COUNTRY ... AND THERE ARE PRETTY FEW OF THESE."
 JAMES J. BLANCHARD,
 U.S. AMBASSADOR TO CANADA

"THE UNSURPASSED QUALITY AND EFFICIENCY OF OUR ALLISTON PLANT CREATED THE OPPORTUNITY TO EXPORT TO WORLD MARKETS FROM A CANADIAN BASE."
 ATSUYOSHI HYOGO,
 PRESIDENT,
 HONDA CANADA

"OUR WORKERS ARE MORE PRODUCTIVE THAN WORKERS IN MANY PARTS OF EUROPE. COSTS ARE VERY COMPETITIVE HERE. THE COST OF ENERGY IS UP TO 10 PER CENT LOWER THAN IN EUROPE. THESE ARE DISTINCT ADVANTAGES, COUPLED WITH THE GENERAL POLITICAL STABILITY OF CANADA."
 JOHN CONNOR, PLANT MANAGER, VOLKSWAGEN CANADA INC.

The World Continues to Invest in Canada
 (total foreign direct investment in Canada - 1984 to 1993, in billions of \$)



Source: Statistics Canada, Catalogue 67-202, Canada's International Investment Position.

"VOLVO HAS, OVER 25 YEARS, EXPERIENCED SUCCESS WITH THE EMPLOYEES FOR THE HIGH QUALITY OF THE PRODUCT AND THE VERY GOOD PRODUCTIVITY, WHICH HAS BEEN COMPETITIVE WITH THE OTHER VOLVO PLANTS AROUND THE WORLD."

GUNNAR JENNEGREN,
FORMER VICE-PRESIDENT AND
GENERAL PLANT MANAGER
VOLVO CANADA

"CANADA IS A GOOD COUNTRY TO EXPORT FROM ... CANADA HAS PARTICIPATED IN MORE UNITED NATIONS PEACE MISSIONS THAN ANY OTHER COUNTRY IN THE WORLD ... THEY HAVE A LOT OF FRIENDS."

MICHAEL PFEIFFER,
PRESIDENT AND CEO,
HUGHES AIRCRAFT OF
CANADA, A SUBSIDIARY OF
HUGHES AIRCRAFT (U.S.)

SOUND FUNDAMENTALS

- *Strongest growth in G-7*
- *Inflation below 2% and forecast to remain low*
- *Low wage settlements*
- *Competitive labour costs*
- *Strong investment in machinery and equipment*
- *A commitment to fiscal responsibility, deficit reduction and job creation*

STRONG DOMESTIC MARKET

Canada has the seventh largest economy and the second highest standard of living in the world. Its affluent, growing population is an attraction to international investors, with excellent growth potential for domestic demand for goods and services. Both the OECD

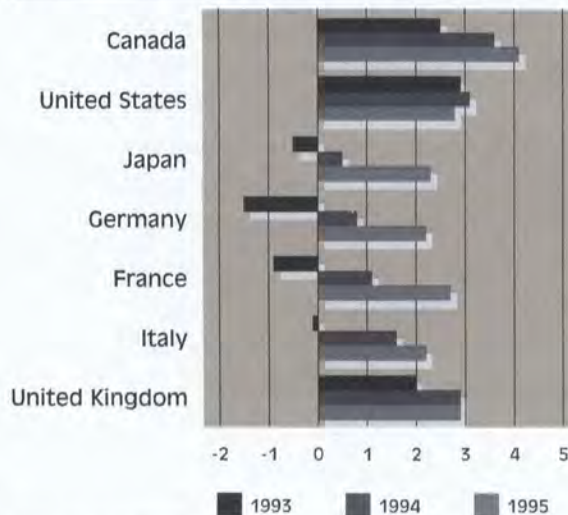
and the IMF currently expect Canada to be a leader in near-term economic growth, and surveys by Canada's Conference Board and Ernst & Young have revealed that entrepreneurs and business people are confident about growth prospects.

Firms already active in the U.S. or Europe will find a very similar group of consumers in Canada. Canadians tend to be early adopters of new consumer products and are well aware of international brand names. Most Canadian consumer markets feature the same brands that lead in American sales.

Canada is a good base from which to launch an entry into North America. It enables European and Asian business managers to gain valuable experience in North American markets without entering the aggressive American market directly.

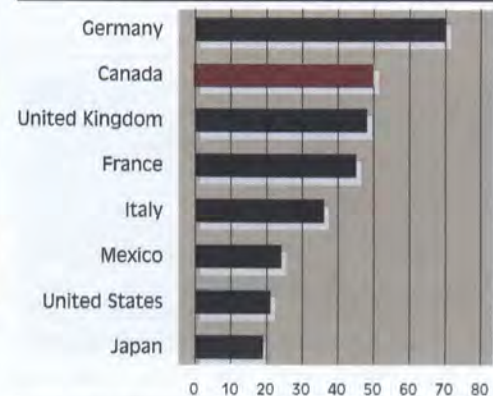
European and Asian firms find that Canada's large population of relatively

Strong Economic Growth
(OECD predicted growth of GDP - 1993 to 1995, % increase in GDP)



Source: OECD, Economic Outlook.

Canada is a Trading Nation
(total trade as share of GDP - 1991; 1989 data for Mexico)



Sources: OECD, Quarterly National Accounts, 1992, No. 4; IMF, International Financial Statistics, Feb. 1993.

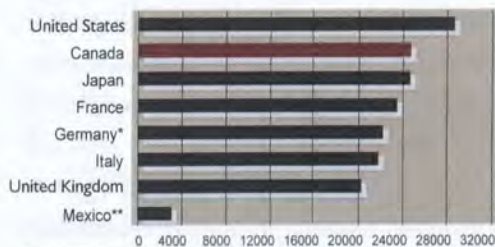
recent immigrants from their home countries offers a starting point for market penetration in North America.

IMPRESSIVE EXPORT GROWTH

Canada has an open economy that has long been geared towards trade with the rest of the world. Canada is second among the G-7 countries with respect to total trade as a share of its economic output, a testimony to the international focus of its business community. Exports account for over one third of gross domestic product.

Businesses located in Canada are achieving record levels of sales on world markets. Despite sluggish economic performance in some of Canada's export markets, Canadian exports have been growing steadily. The volume of Canada's goods exported grew by 14% in 1993, and this strong performance came on the heels of even stronger gains in 1992. Under the Canada-U.S. Free Trade Agreement, in place since

Affluent Domestic Market GDP per capita (converted at purchasing power parity) - 1991



Sources: OECD, National Accounts, vol.1, 1960-1991; IMF, International Financial Statistics, Feb. 1993; PlanEcon.

* German Data includes estimated output in 1990 for the former East Germany according to PlanEcon.

** 1989 data is the most recent data for Mexico. Rate used to PPP conversion of Mexican peso data to U.S. dollars is the actual average exchange rate for 1989.

1989, many Canadian companies have increased their market share of the combined Canada-U.S. market.

Canadian exports include transportation equipment, metals and mineral products, grains, and forest products, as well as such high-technology products as telecommunications equipment and computer software. Canada is forecast to export more cars to the U.S. than is Japan in 1994.

GLOBAL GROWTH INDUSTRIES

Many of tomorrow's leading industries are already significant contributors to the Canadian economy. These include high-technology industries such as telecommunications equipment, lasers, environmental equipment, biotechnology, aerospace and computer software. Other examples include plastics, electrical equipment, chemicals, machinery

"WE WERE LOOKING AT THE U.S. AND OTHER LOCATIONS AROUND THE PACIFIC RIM ... BUT CHOSE VANCOUVER (CANADA) FOR A NUMBER OF REASONS. THE AMENDMENT TO THE CANADIAN TAX ACT WAS A MAJOR FACTOR. AND THERE IS GOOD POTENTIAL FOR DEVELOPING THE EXPORT BUSINESS FROM CANADA TO PACIFIC RIM COUNTRIES."

STEFFAN MELIN, PRESIDENT, SOUTH PACIFIC INTERLINE LIMITED, A WHOLLY OWNED SUBSIDIARY OF GOTLAND SHIPPING OF SWEDEN

"WE CAN FIND WORLD-CLASS EXPERTISE ON ALMOST ANY TYPE OF TECHNOLOGY WITHIN 25 MILES OF MY OFFICE."

RONALD MORRISON, PRESIDENT, KODAK CANADA

"THERE ARE SOME VERY BRIGHT PEOPLE WORKING IN THE UNIVERSITIES HERE. IT GIVES US A GREAT SOURCE OF RECRUITS WHEN WE ARE HIRING AND WE COOPERATE WITH THE SCHOOLS TO GET THE BEST MINDS IN ACADEME WORKING WITH US ON OUR PRODUCT DEVELOPMENT."

KENNETH COPELAND, PRESIDENT, DIGITAL EQUIPMENT OF CANADA LIMITED, A SUBSIDIARY OF DIGITAL EQUIPMENT CORP. (U.S.)

Record Export Growth (1983 to 1993, in billions of \$)



Sources: Bank of Canada; Export Development Corporation.

"CANADIANS OPERATE WITH FORESIGHT, AND WITH THE BIG PICTURE IN MIND. OUR GOVERNMENT HAS CREATED THE RIGHT REGULATORY ENVIRONMENT FOR PHARMACEUTICAL INVESTMENT HERE. BUSINESS AND UNIVERSITIES CAN ESTABLISH MUTUALLY BENEFICIAL WORKING RELATIONSHIPS. THE ATMOSPHERE IS SUITABLE FOR COMPANIES WITH HIGH STANDARDS TO THRIVE, BECAUSE THE PEOPLE OF THIS COUNTRY EXPECT THE BEST."

GERRY M'DOLE, PRESIDENT AND C.E.O., ASTRA PHARMA INC.

and paper products. As in other wealthy industrialized countries, the service sector, including sophisticated financial, information, communications, and engineering services, is a significant area of growth.

While some people still think of Canada in terms of its natural resources, the reality is that its electronics industry is larger than its pulp and paper industry. More Canadians work in financial services and communications than in forestry or energy.

STRONG RESEARCH CAPABILITIES

International businesses are increasingly using Canada as a base for research and development. Canadian universities, technical colleges, and scientific research organizations provide unique pools of talent that can contribute to innovative product development and design. Graduates of cooperative education programs, in which students spend part of their school year working

with companies, are particularly popular with employers.

Canadian companies benefit from the most generous R&D tax incentives in the G-7. In addition, they have access to "centres of excellence" established within universities, and to university-business consortia in such areas as robotics, automated inventory control, computer-aided design (CAD), and pharmaceutical development. New initiatives have been announced to enhance the data networks that link Canadian research organizations.

GOVERNMENT POLICIES CONTRIBUTE TO A COMPETITIVE ENVIRONMENT

The Government of Canada is providing a competitive, welcoming climate for international businesses. It is committed to fiscal responsibility, deficit reduction, and job creation.

Government policies of particular interest to business managers are described later in this publication.

TWELVE DECISIVE FACTORS POINT TO ONE BOTTOM LINE CONCLUSION



1. WORLD'S RICHEST MARKET

By investing in Canada, international businesses gain tariff-free access to the U.S. market, under the terms of the Canada-U.S. Free Trade Agreement of 1989. Most Canadian exports already enter the U.S. duty-free. The remainder will trade under the schedule set out in the 1989 agreement. The North American Free Trade Agreement (NAFTA), effective January 1, 1994, extended this free-trade area to include the growing Mexican market. NAFTA gives Canadian-based companies an unequalled access to a market of more than 360 million people with a total economy larger than that of the European Community.

More than 110 million consumers are within a day's drive of southern Ontario. Toronto, with a population of over three million, is situated nearly mid-way between New York City and Chicago, and about an hour's flight from either of them. Montreal is within a day's drive of Washington, D.C., New York and Boston. Vancouver is just 48 hours by truck from San Francisco and the large California market. The heart of the U.S. mid-west market is only a day's drive from Winnipeg, Regina, or Calgary. Canada's atlantic region has ready access to the New England market, with Halifax being only one hour by air from Boston.

"APPROXIMATELY ONE QUARTER OF OUR REVENUES COMES FROM EXPORT SALES TO THE UNITED STATES, ASIA, LATIN AMERICA, INDIA, AND THE CARIBBEAN ISLANDS. [THIS IS] A CENTRAL LOCATION FOR ACQUIRING RAW MATERIALS AND DISTRIBUTING FINISHED PRODUCTS TO DOMESTIC AND EXPORT MARKETS."

STEVE BAKER, DIRECTOR OF SALES AND MARKETING, CANADA, SCHLUMBERGER INDUSTRIES CANADA

"THIS AREA PROVIDES THE SERVICES, HUMAN RESOURCES AND CO-OPERATION INDUSTRY NEEDS TO SUCCEED."

ADRIAAN KORSTANJE, PUBLIC AFFAIRS MANAGER, TOYOTA MOTOR MANUFACTURING CANADA INC.

The North American Market



"WE HAVE FOUND [OUR] WORKERS TO BE OF THE HIGHEST CALIBRE, RESPONSIBLE, ACCOMMODATING, AND FULL OF ... PRIDE. THEY EXPRESS NOT ONLY AN INTEREST IN THE JOB, BUT A PERSONAL COMMITMENT TO A QUALITY PRODUCT AND TIMELY DELIVERY."

A. MARMAL, PLANT MANAGER, BABCOCK & WILCOX CANADA, A SUBSIDIARY OF BABCOCK & WILCOX (U.S.)

"WE ENJOY LABOUR RATE AND HEALTH CARE ADVANTAGES VIS-A-VIS OUR U.S. OPERATIONS - WHICH CERTAINLY CONTRIBUTE TO OUR COST COMPETITIVENESS - AND THE EXCHANGE RATE IS GENERALLY IN OUR FAVOUR."

GEORGE A. PEAPLES, FORMER PRESIDENT, GENERAL MOTORS OF CANADA LTD.

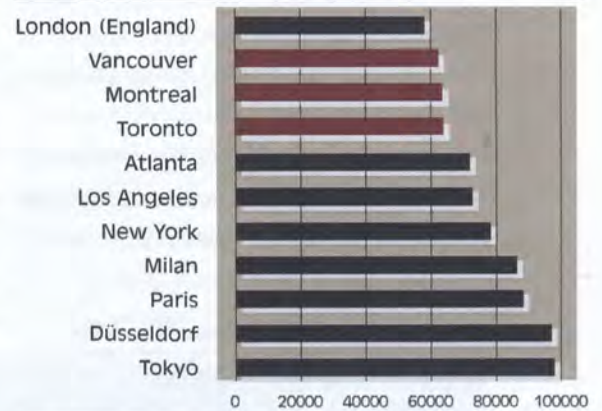
2. COMPETITIVE WAGE AND BENEFIT RATES

Firms in Canada enjoy the benefits of a skilled, cost-effective labour force, which has proven itself to be adaptable to changing technologies and varied international management methods. Productivity is high and rising, offsetting apparent advantages of low-wage, low-productivity countries. Canadian unit labour costs fell 5% in U.S. dollar terms in the 12 month period ending September 1993.

Canadian wage rates are very competitive with those of other countries, and current trends are making Canada even more competitive. Canadian manufacturing wage rates showed the second slowest growth among G-7 countries in 1992, averaging 2.6%. In 1993, 66% of union workers signed contracts which froze or cut salaries.

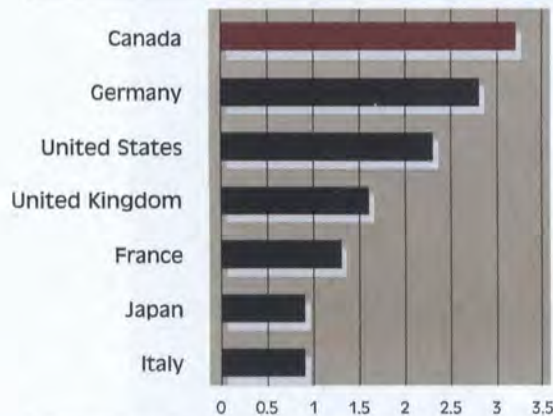
Other costs associated with labour, such as employer-paid social security taxes and health insurance, are lower for Canadian firms than for their American competitors. Chrysler Corporation has calculated that U.S. health insurance bills give an advantage of over \$500 per car for production in Canada.

Moderate Managerial Wages (average wages and benefits for engineering managers; in Cdn \$)



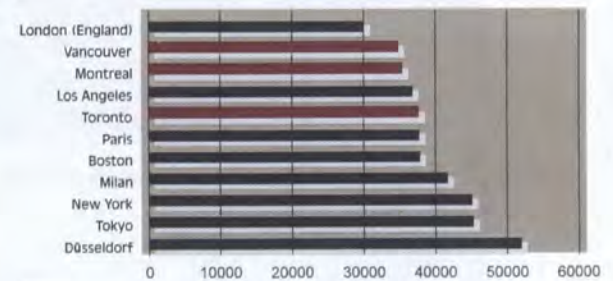
Source: Hay Management Consultants, as quoted in *Décision Montréal*, Economic Development Office, Montreal Urban Community, 1992.

Fastest Manufacturing Productivity Growth (1990 to 1991, in %)



Source: OECD, *Economic Outlook*, Oct. 1993, p. 103.

Competitive Secretarial Labour Costs (in Cdn \$)

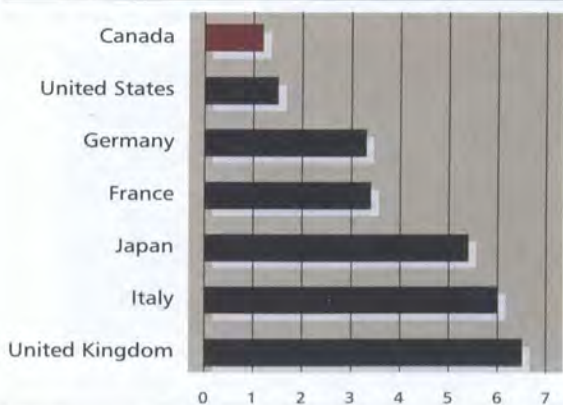


Source: Hay Management Consultants, as quoted in *Décision Montréal*, Economic Development Office, Montreal Urban Community, 1992.

By reducing production costs, Canada's publicly funded health care contributes to the competitiveness of its industries.

Professional and administrative personnel costs in major Canadian cities compare favourably with other countries. While relative wage costs between countries tend to shift with exchange rate movements, Canada's close manufacturing links with the United States ensure that market forces will serve to keep Canadian wage rates competitive.

Lowest Manufacturing Unit Labour Cost Growth (1990 to 1992)



Source: International Monetary Fund, World Economic Outlook, 1992.

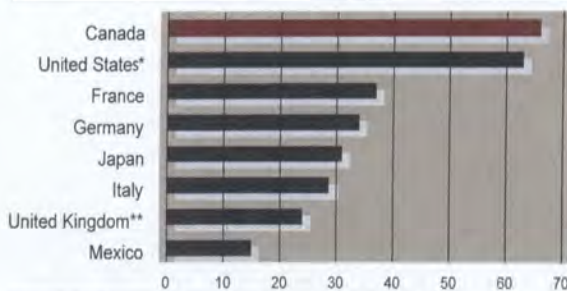
3. AN EDUCATED AND SKILLED WORKFORCE

According to the OECD, Canada is among the top four countries in the share of gross domestic product devoted to public-sector funding of education. In 1990-91, almost one third of young people in the 18-24 age group were enrolled full-time in post-secondary education. This effort in education has resulted in a high level of literacy.

Over the last two years, Canadian labour productivity in manufacturing has recorded the fastest growth among the G-7 countries. In the automotive-assembly industry, for example, Canadian productivity levels are 5% above those in the U.S.

A number of successful job training and cooperative training programs are in place to help achieve a match between the needs of industry and the

A Leader in Advanced Education (1989 post-secondary enrollment of population aged 20 to 24)



Source: UNESCO Statistical Yearbook, 1991.
 * 1987 data
 ** 1988 data

"WE DOMINATE OUR MARKET BECAUSE OF THE TALENT AVAILABLE HERE. ALL OUR HIRING HAS BEEN LOCAL, AND AS A RESULT WE HAVE DONE VERY WELL."
 CHARLES ROTHSCHILD, R&D MANAGER, PANACON DIVISION, HEWLETT PACKARD (CANADA)

"WE HAVE AN EXCELLENT SELECTION OF VERY GOOD PEOPLE WHO ARE CREATIVE, HARD WORKING AND ENTHUSIASTIC, AND WE HAVE EXPERIENCED A VERY LOW TURNOVER. WE HAVE A FRACTION OF WHAT THE EMPLOYEE TURNOVER IS IN DALLAS, WHERE WE HAVE ANOTHER VERY LARGE R&D GROUP."
 LIONEL HURTUBISE, PRESIDENT, ERICSSON COMMUNICATIONS INC.

"WHEN I SELL CANADA AS A PLACE TO DO BUSINESS, I MAKE THE POINT THAT OUR RESEARCH AND DEVELOPMENT IS THE CHEAPEST IN THE INDUSTRIALIZED WORLD."
 RICK SCHWARTZ, DIRECTOR, NEW BUSINESS, HEWLETT PACKARD (CANADA)

"... THE QUALITY, SKILLS, FLEXIBILITY, AND PRODUCTIVITY OF THE ... LABOUR FORCE WAS A MAJOR FACTOR IN THE DECISION TO EXPAND HERE. THIS [IS] AN INTERNATIONALLY COMPETITIVE LOCATION OF ADVANCED MANUFACTURING."

MINORU AZUMA, FORMER PRESIDENT, TOYOTA MOTOR MANUFACTURING INC.

"ABOUT 10 DAYS AFTER THE START-UP, WE WERE READY TO SHIP A QUALITY PRODUCT TO OUR CANADIAN AND AMERICAN CUSTOMERS. WE HAD FORESEEN HIRING EXTRA EMPLOYEES IN CASE SOME PEOPLE DECIDED TO DROP OUT ALONG THE WAY. [INSTEAD] OUR TURN-OVER HAS BEEN ALMOST ZERO AND ... ALL THE PEOPLE RECRUITED ARE STILL WITH US."

NICOLAS MARTELLA, DIRECTOR, HUMAN RESOURCES, GLAVERBEC, A SUBSIDIARY OF GLAVERBEL OF BELGIUM

supply of skills. The federal government alone spends over \$1 billion annually on training, and provincial governments also devote significant amounts of money to professional training. A Statistics Canada survey estimates that, in addition, Canadian employers spend about \$1.4 billion each year on formal training courses.

This training effort takes place in community colleges, CEGEPs, technical institutes, universities, trade and vocational schools, commercial training schools, etc. Employers who have taken part in cooperative training programs whereby students spent part of their school year working with companies, have lavished praise on the results.

Job Training (selected OECD countries)

Country	Incidence of employer training (a)	Incidence of post-secondary education (b)
Canada	30-36%	76%
Finland	34%	38%
France	29%	37%
Germany	n/a	26%
Great Britain	31-43%	19%
Japan	31-37%	39%
Sweden	25%	38%
United States	31%	70%

Source: Canadian Business Economics, Summer 1993.

Notes: a) Percentage of employees who took employer training in the most recent year for which data are available.

b) Ratio of post-secondary full-time equivalent enrollment to the population in the theoretical age range for such programs in 1988 (in most countries the assumed age range for university education is 18 to 24 and for non-university post-secondary education 18 to 20).



4. HEALTHY LABOUR RELATIONS

Two important trends bear out Canada's claim to one of the most productive labour-management environments in the G-7 countries: strikes are on the downturn, while employee share ownership plans are on the rise.

International firms have won many productivity improvements in their Canadian operations through workplace initiatives in labour-management rela-

tions. Firms in Canada are moving forward in cooperation with their workers to institute quality management practices throughout the economy.

Many companies find that, relative to their experience in other countries, Canadian operations experience low turnover and absenteeism rates. Siemens Electric Ltd., for example, estimates that labour turnover is less than 5% per year in its Canadian plants, compared with 15% in the U.S. and an even higher rate in Mexico.

Fewer Days Lost to Work Stoppages
(% of estimated working time)



Source: Labour Canada 1994.

"IN SPITE OF THE RHETORIC TO THE CONTRARY, THE CAW (CANADIAN AUTOMOTIVE WORKERS UNION) HAS BEEN OUR PARTNER IN TQM, JIT, HEALTH AND SAFETY AND IN-PLANT PROBLEM SOLVING."

HUGH SLOAN JR., PRESIDENT,
WOODBIDGE AUTOMOTIVE
GROUP

"BOTH DOMESTIC TRENDS AND INTERNATIONAL COMPARISONS PRESENT A FAVORABLE PICTURE OF EDUCATION AND TRAINING IN CANADA."

CONSTANTINE KAPSALIS,
LABOR ECONOMIST

"ALL THREE SECTORS - GOVERNMENT, LABOUR AND MANAGEMENT - ARE ACTIVELY PARTICIPATING AT FEDERAL AND PROVINCIAL LEVELS TO DESIGN MORE EFFECTIVE AND EFFICIENT TRAINING PROGRAMS FOR THE WORKFORCE. AT THE FEDERAL LEVEL, FOR INSTANCE, THE CANADIAN LABOUR-MANAGEMENT PRODUCTIVITY CENTRE IS RAPIDLY BECOMING A MODEL FOR DEVELOPING THE BEST METHODS TO ACCOMPLISH THESE GOALS."

GEORGE A. PEAPPLES,
FORMER PRESIDENT, GENERAL
MOTORS OF CANADA LTD.

"WE WERE DOING WELL HERE, SO IT WAS NATURAL TO SET UP IN CANADA. IT'S AN EXCELLENT PLACE TO DO DEVELOPMENT WORK ... CANADA HAS AN EXCELLENT UNIVERSITY SYSTEM THAT IS GRADUATING WELL-EDUCATED, WELL-TRAINED INDIVIDUALS WHO POSSESS THE SKILLS WE REQUIRE TO CARRY OUT OUR SOFTWARE RESEARCH AND DEVELOPMENT ACTIVITIES ... THOSE SKILLS ... AND THE GENERAL QUALITY OF LIFE ONE CAN ENJOY HERE, MAKE ... CANADA COMPETITIVE WITH WHAT ONE WOULD FIND IN SUCH MAJOR SOFTWARE DEVELOPMENT AREAS AS THE SILICON VALLEY AND NEW ENGLAND."

HELGE KNUDSEN, VICE-PRESIDENT, SOFTWARE DEVELOPMENT, AMDAHL CANADA

5. INTERNATIONAL BUSINESS SKILLS

Canada is a land of immigrants. Employers will find pools of experienced workers who also offer fluency in foreign languages, knowledge of international cultures and business practices, and networks of business contacts in Asian, European, and American markets.

Canada is an effective bridge between North America and Europe. Canadian business practices and laws are a blend of American and European cultures. Canada's metric system of measurement means that Canadian manufacturers can readily meet requirements for European standards and measures.

Population by Mother Tongue in Major Canadian Cities - 1991
(percent of total population)

	Canada	Halifax	Montreal	Toronto	Edmonton	Vancouver	Ottawa/Hull
English	60.5	93.1	14.3	66.4	77.9	72.9	53.5
French	23.8	2.7	66.9	1.3	2.3	1.3	32.9
Multilingual	2.6	1.0	4.2	4.1	3.1	3.1	3.5
Italian	1.6	0.2	3.8	4.9	0.7	1.1	1.1
Chinese	1.6	..	0.9	4.5	2.8	8.2	1.2
German	1.6	0.3	0.4	1.2	2.4	2.2	..
Portuguese	0.7	0.1	0.8	2.5	0.4	0.4	..
Polish	0.6	0.2	0.5	1.5	1.1	0.5	..
Spanish	0.6	1.0	1.4	1.4	0.7	0.7	..
Other	6.4	1.4	6.8	12.2	8.6	9.6	7.8

Source: Statistics Canada, Catalogue 93-313, Mother Tongue.

Immigrant Population by Place of Birth
(% of total number of immigrants who came to Canada in 1991)

	United States	Europe	Germany	Italy	Poland	United Kingdom	Asia	Western Asia	Eastern Asia	South East Asia	Southern Asia	Africa	Caribbean	S. & C. America	Other
CANADA	5.7	54.4	4.1	8.0	4.2	16.5	24.5	3.4	8.6	7.2	5.3	3.8	5.3	5.0	1.3
NFLD	21.9	53.3	3.7	0.5	1.3	34.4	15.5	1.5	4.9	3.4	5.9	3.7	2.0	1.5	2.1
PEI	32.6	53.8	4.0	0.1	1.2	26.8	7.8	3.2	1.5	0.6	2.3	0.9	0.7	2.6	1.6
NS	24.2	54.2	4.5	1.7	2.5	30.8	13.2	4.1	2.8	2.7	3.7	2.3	2.2	1.2	2.7
NB	35.0	50.5	6.0	1.6	0.9	30.7	8.2	1.7	2.9	1.9	1.7	2.3	1.1	1.4	1.5
QUE	4.7	48.6	2.2	13.3	3.2	4.3	22.3	8.7	3.5	7.2	2.9	7.8	9.6	6.5	0.5
ONT	4.1	57.9	3.8	9.9	4.6	17.3	22.1	3.1	7.6	6.0	5.4	3.3	6.5	5.5	0.6
MAN	6.1	54.7	5.9	3.0	8.5	14.8	25.6	0.9	4.2	16.7	3.8	1.9	3.1	8.1	0.5
SAS	15.0	58.7	6.4	1.4	2.0	20.3	17.9	1.1	7.0	7.0	2.8	2.8	1.4	3.4	0.8
ALB	7.8	50.7	6.0	2.9	5.7	17.7	28.9	2.4	10.4	11.1	5.0	4.2	2.2	4.5	1.7
BC	7.5	49.6	5.5	5.0	2.3	21.9	33.8	1.3	17.1	7.8	7.7	2.7	0.9	2.5	3.0
YT	24.5	60.0	12.7	1.4	0.7	26.5	5.9	0.7	0.8	3.5	0.8	1.4	2.0	1.5	4.7
NWT	10.9	56.4	7.2	2.7	2.2	25.4	20.6	1.1	5.4	10.6	3.8	3.9	3.4	2.3	2.5

Source: Statistics Canada, Catalogue 93-316, Immigration and Citizenship.



6. A STRONG RESEARCH AND DEVELOPMENT COMMUNITY

Many international firms use Canada as a base for research, development and testing of new products and processes. The number of scientists and engineers working in research roles has continued to grow as a share of the Canadian labour force. Canada has encouraged international pharmaceuticals firms to locate research facilities here by granting the industry important improvements in patent protection in the domestic market. Canada is also home to research and product development facilities for such companies as IBM, Digital Equipment, Glaxo, and Amdahl, as well as for such Canadian-based

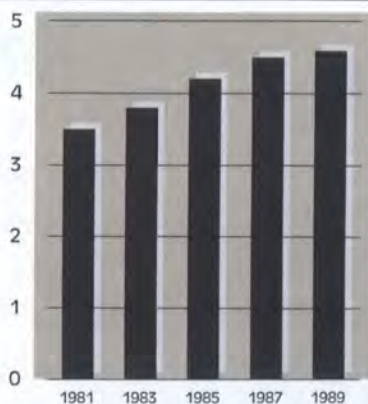
multinationals as Northern Telecom and CAE.

An example of this R&D environment is the decision in 1993, by Swedish telecommunications giant L.M. Ericsson, to select Montreal as the site for an R&D mandate in cellular telephone technology. Among the factors that influenced Ericsson's decision were the availability and quality of engineers, the pool of specialized researchers working in the field of telecommunications in the Montreal area, and the calibre of companies likely to act as subcontractors. Another point in selling the Canadian location was the effective integration of federal and provincial assistance.

"... THE POSITIVE CLIMATE CREATED BY THE FEDERAL GOVERNMENT IN INTRODUCING BILL C-91 TO PROVIDE EXTENDED PROTECTION UNDER THE PATENT ACT WILL HELP MAKE CANADA COMPETITIVE IN THE GLOBAL MARKET-PLACE. IT IS A VOTE OF CONFIDENCE IN THE INNOVATIVE PHARMACEUTICAL INDUSTRY THAT HAS ALREADY RESULTED IN SIGNIFICANT NEW RESEARCH INVESTMENTS ... [A] SOPHISTICATED AND HIGH-QUALITY WORKFORCE ... SUPPORT SERVICES [AND] MANUFACTURING INFRASTRUCTURE - ALL CONTRIBUTE TO OUR PAST AND CONTINUING SUCCESS HERE."

JACQUES LAPOINTE,
PRESIDENT, GLAXO CANADA

Growing Scientific Community
(scientists and engineers engaged in Research and Development per 1,000 employed persons)



Source: Statistics Canada, Catalogue 88-002, Indicators for Science and Technology, Vol. 2, No. 4.

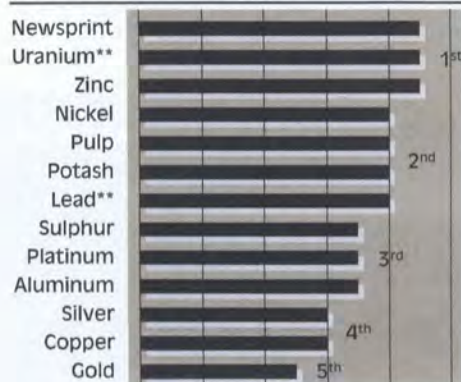
"THIS ACQUISITION IS THE FIRST STEP TOWARDS A MAJOR LONG-TERM INVESTMENT IN OIL AND GAS. OUR ULTIMATE OBJECTIVE IS FOR NUMAC TO BECOME A MAJOR FORCE IN THE CANADIAN OIL AND GAS INDUSTRY."

DR. CHENG YU-TUNG, HEAD OF A HONG KONG CONSORTIUM THAT ACQUIRED 41% OF NUMAC OIL AND GAS LTD. IN 1992

7. ABUNDANT RAW MATERIALS

Canada is renowned for its rich mineral reserves and productive agricultural land. These resources, and the cost-effectiveness of their extraction, enable Canada to be a leading exporter of key commodities in both raw and processed forms. Canada has very competitive suppliers of ferrous metals, aluminum, nickel, gold, zinc, copper, pulp and paper, lumber and potash, as well as grains, oilseeds, and meats that are internationally recognized for their high quality. Canadian-based processors and manufacturers can reduce transportation costs by being close to these globally competitive sources of supply.

World Leader in Mineral and Commodity Production (rank of Canada as producer of various commodities - 1991*)



Sources: Energy, Mines and Resources, Canadian Minerals Yearbook; Canadian Pulp Association.

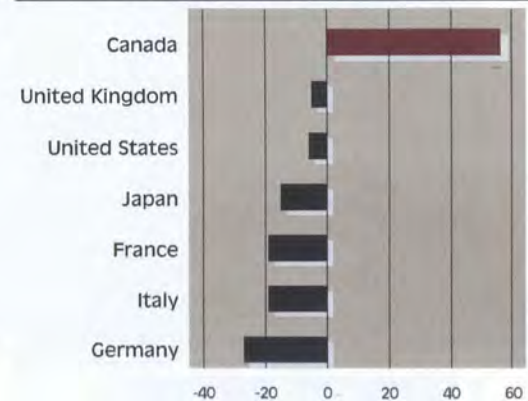
* Ranks for uranium, platinum, silver and gold are for 1990.

** Rank among western nations only.

8. VAST, LOW-COST ENERGY SUPPLIES

Canada is blessed with abundant deposits of mineral fuels and river systems that have been tapped for massive hydroelectric generating capacity. Canada is one of only two G-7 countries that is self-sufficient in oil supplies, and is the only G-7 country that is a net exporter of natural gas.

Plentiful Natural Gas (net natural gas exports in thousands of TJ per capita - 1990)

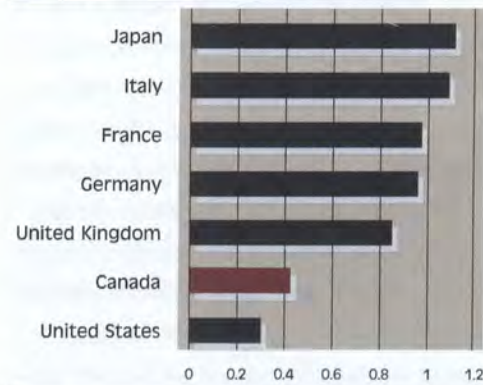


Sources: International Energy Agency; OECD, Energy Statistics of OECD Countries, 1980-90, Paris 1992.

Canada's future energy needs will be readily provided for, using existing capacity as well as a number of possible hydroelectric projects, oil and gas developments and other electric generation facilities. It is therefore not surprising that international business leaders ranked Canada fifth in the supply of power to business in 1992, according to the World Economic Forum.

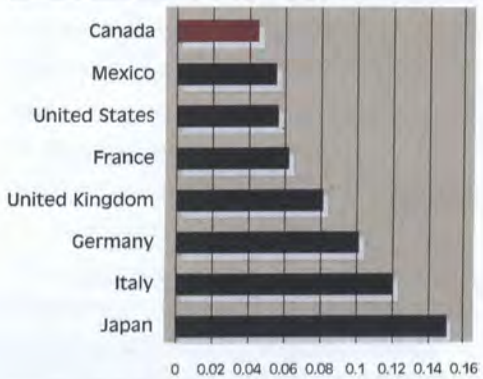
The most recent international data show that industrial prices for natural gas and electricity are significantly lower in Canada than in Europe, Japan or the United States. This advantage has helped Canada become a globally competitive location for energy-intensive manufacturing industries. The recent decision to freeze Ontario Hydro's commercial rates until the year 2000 will strengthen this competitiveness.

Low Gasoline Prices (in U.S. dollars/litre - 1993*)



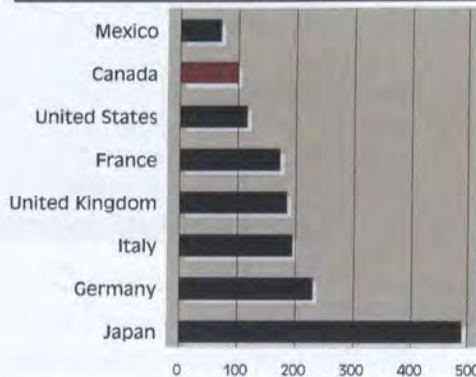
Sources: International Energy Agency, 1993. * Data is for second quarter.

Lowest Electricity Cost (cost per kilowatt hour in U.S. dollars - 1991)



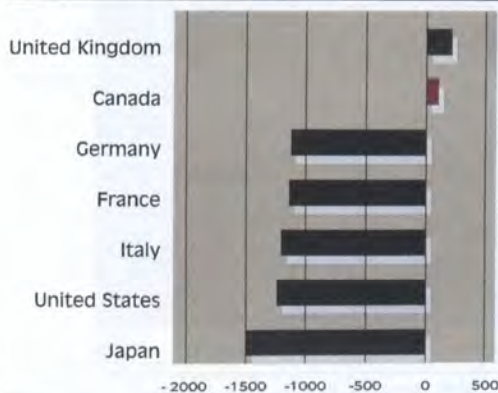
Sources: International Energy Agency; OECD, Energy Prices and taxes, 3rd Quarter 1992.

Low Natural Gas Costs (cost per 10,000,000 kcal, gross calorific basis, in U.S. dollars - 1991)



Sources: International Energy Agency; OECD, Energy Prices and Taxes, 3rd Quarter 1992.

A Net Oil Exporter (net crude oil exports in metric tons per capita - 1990)



Sources: International Energy Agency; OECD, Energy Statistics of OECD Countries, 1980-90, Paris 1992.

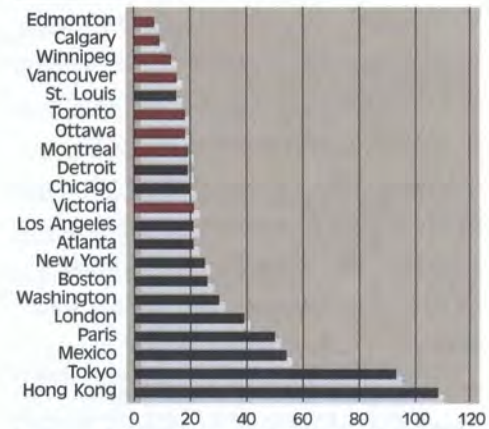
"DELIVERY TIMES ARE CRITICAL IN OUR BUSINESS, AND SHIPPING BY AIR IS ONE WAY WE HAVE OF MEETING THE NEEDS OF OUR CUSTOMERS. FROM OUR CANADIAN LOCATIONS WE HAVE NEXT DAY DELIVERY TO MAJOR NORTH AMERICAN CENTRES."

BRUCE RICHARDS, DIRECTOR,
LOGISTICS STRATEGY,
NORTHERN TELECOM
CANADA LTD.

9. ADVANTAGEOUS OCCUPANCY COSTS

Canadian cities and towns offer modern, well-designed offices and industrial buildings at highly competitive rates. Many Canadian cities have experienced a boom in commercial and industrial development in the past decade, leaving ample room for new manufacturing and office demand. Since most Canadian cities are relatively new by U.S. or European standards, much of the stock of commercial buildings is designed to accommodate advanced communications and information technology systems. Similarly, industrial buildings have the high ceilings and other features needed for sophisticated manufacturing and distribution operations.

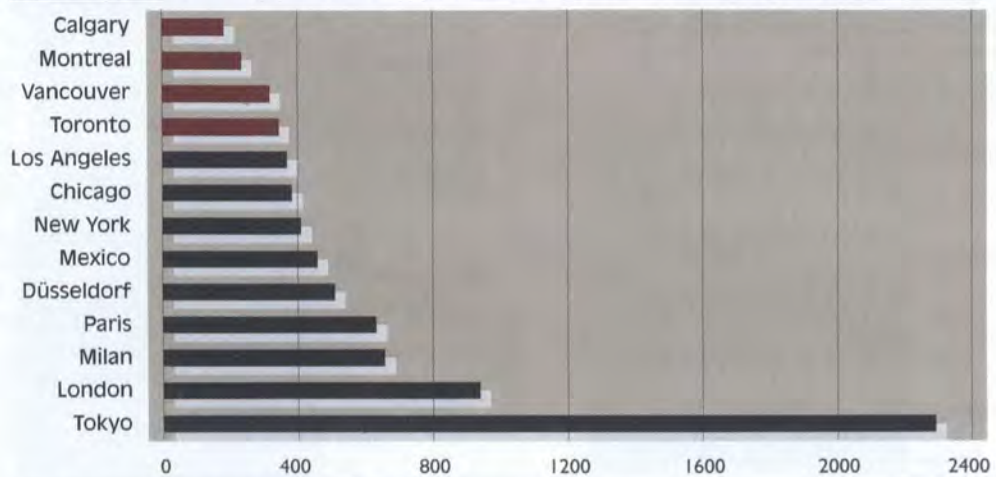
Highly Competitive Cost for Office Space (average cost of office space in selected cities; international comparison - 1993, in U.S. \$ per square foot; figures have been rounded off to zero decimal places)



Source: Colliers International Property Consultants.

Note: Annual occupancy cost includes base rent, operating expenses and taxes, and is based on a five-year lease of Class A 10,000 square feet in a prime downtown location.

Low Office Operating Costs (per square metre including negotiated rent, operating costs and taxes - 1992)



Source: Colliers Macaulay Nichols (Canada, U.S.A., Mexico). Other sources are Colliers International Property Consultants (Tokyo, London, Paris); Gabetti SPA (Milan); Real Estate Agents (Düsseldorf); figures quoted in *Décision Montréal, Economic Development Office, Montreal Urban Community, 1992*.

Note: Based on lease for 1,000 square metres in a Class A building at a prime downtown location. The negotiated rental rate included in these costs is adjusted to reflect cash or free rent.

10. SOPHISTICATED AND EFFICIENT INFRASTRUCTURE

A 1993 report published by the World Economic Forum rates countries on several competitiveness criteria. Four of these criteria – roads, railroads, air transport and ports of access – deal with the adequacy and flexibility of transportation infrastructure relative to business requirements. Canada's average rating for these criteria was the highest among G-7 nations.

A comprehensive network of roads, ports, airports and rail lines provides fast and cost-effective freight and passenger services. Deregulation has led to enhanced competition among alternative modes of transport. Rail, truck and air services are fully integrated

with U.S. networks, providing efficient access to consumers and suppliers throughout North America.

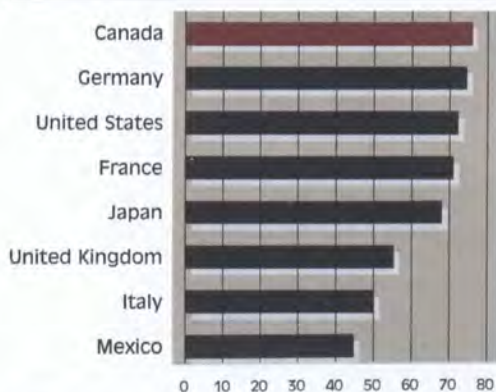
The St. Lawrence Seaway system is a major inland water route into North America's heartland, serving ports over 2,200 km from the nearest coast. Canada's Atlantic and Pacific ports are major links to Europe and the Pacific Rim.

Convenient flights link business travellers with all major North American and global destinations, thanks to increased competition and the integration of North American air services. A variety of freight cargoes can be accommodated and premium express services provide door-to-door delivery on the next business day for destinations in the U.S. and Mexico.

Canadian telecommunications suppliers have been investing heavily to provide the latest in fibre optic technology and high-speed data transmission services, and the opening of the long-distance market to increased competition will ensure that costs remain competitive. Calls to an overseas headquarters are often cheaper from Canada than from a comparable U.S. location.

For example, CANTAT-3, a high capacity transoceanic submarine fibre optic cable, scheduled to be in service by December 1, 1994, will connect North America, northern Europe and points beyond. It uses the most advanced optical fibre technologies available to

Best Transportation Infrastructure
(international comparison: average score for roads, railroads, air transport and port access - score* : 0 = low; 100 = high)



Source: The World Competitiveness Report, 1993.

* Scores measure the extent to which transportation infrastructure is developed to meet business requirements of a company competing internationally, and the adequacy of roads, railroads, air transport, and port access.

provide nearly four times the capacity of any previous transoceanic cable system. The unit cost of the CANTAT-3 cable system will be lower than any existing transatlantic cable network for all types of services: digital, voice, data, video, narrowband, wideband or broadband.

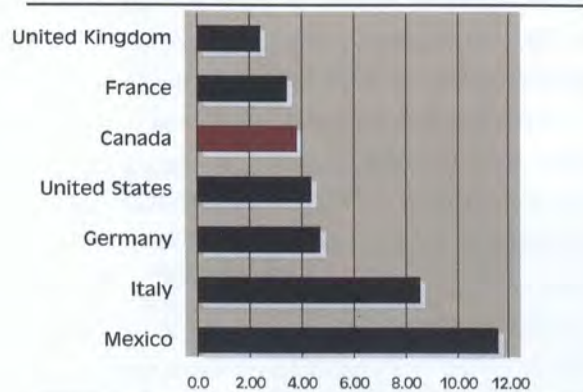
CANUS-1, the first undersea fibre optic cable connection between Canada and the U.S., is expected to be put into service simultaneously and interconnected at the Canadian terminal.

11. A LESS LITIGIOUS ENVIRONMENT

Perhaps because of its European traditions, Canada's legal environment and practices are less litigious than those in the U.S. Canadians prefer to negotiate mutually agreeable solutions rather than seek remedies and penalties through the courts. Every effort is made to provide business with the certainty and consistency it seeks.

When environmental damage or product liability awards are handed down by Canadian courts, they are generally lower and determined more quickly than in the U.S.

Competitive International Phone Rates
(cost of three-minute call, January 1993,
in Cdn \$)



Sources: National Utility Services, as quoted in the Economist, March 20, 1993; Telefonos Mexico.

Note: International calls are to New York, except for Canada and the U.S. which are to London.



12. WORLD-CLASS BUSINESS SERVICES

Canada's business service sector saw a major expansion in the past two decades. Canada ranks third among industrial countries in the performance of capital markets and the quality of financial services.

Canadian banks, which provide both lending and investment banking services, rank among the largest in North America. Canada has largely avoided the high public costs associated with failures of numerous smaller institutions seen in the United States. Many Canadian financial institutions maintain offices in major financial capitals around the world in order to serve their international clients.

Trust companies and insurance companies provide additional financial services. International investors who prefer to deal with financial service firms based in their home countries will find that many leading international banks, investment dealers and insurance companies have offices in Canada.

Stock exchanges in Toronto, Montreal and Vancouver provide many international firms with Canadian equity participation.

In the fields of engineering and architecture, Canadian firms are world-renowned for their expertise. Other top quality professional services are available from globally active accounting, advertising, law and consulting firms.

**"CANADA IS ... A
GOOD PLACE TO DO
BUSINESS. BANKING,
COMMUNICATIONS AND
TRANSPORTATION
SERVICES ARE AS
GOOD HERE AS
ANYWHERE IN THE
WORLD."**

*GEORGE A. PEAPPLES,
FORMER PRESIDENT, GENERAL
MOTORS OF CANADA*



SUPPORTIVE GOVERNMENT POLICIES

"AT EVERY GOVERNMENT LEVEL, BE IT MUNICIPAL, PROVINCIAL OR FEDERAL, WE WERE WELL RECEIVED AND FOUND RESOURCE PEOPLE IN ALL THESE OFFICES WHO COULD HELP US MOVE AHEAD."

NICOLAS MARTELLA,
DIRECTOR, HUMAN
RESOURCES, GLAVERBEC, A
SUBSIDIARY OF GLAVERBEL OF
BELGIUM

CREATING A COMPETITIVE ENVIRONMENT

As mentioned at the beginning of this document, the Government of Canada recognizes the need to have the economic fundamentals right if Canada is to be competitive and provide jobs for its citizens. Sound fundamentals begin with a commitment to fiscal responsibility, and deficit reduction.

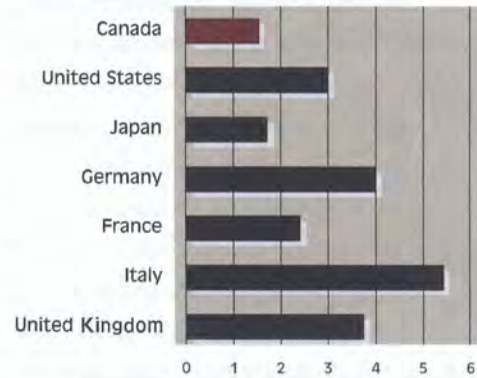
Other elements of Canada's business environment include low inflation and wage settlements and increased investment in machinery and equipment, productivity, and exports.

COMPETITIVE TAX REGIMES

With Canada's economy so closely linked to that of the U.S., Canadian governments are sensitive to the need to maintain a competitive tax regime. A number of tax reform measures instituted over the past few years have been specifically targeted at removing tax barriers to international competition.

In addition to the phasing out of many tariffs on production inputs from the United States, the Canadian government reformed Canada's federal sales tax regime to eliminate the sales tax burden on business inputs through a credit system. The 13.5% sales tax on business inputs was replaced by a 7% Goods and Services Tax paid by consumers. Exports from Canada are

Lowest Inflation Rate in G-7 (% increase in consumer prices in 1992)



Source: OECD, *Economic Outlook*, Dec. 1993.

Low Wage Increase (% increase - annual rate)



Sources: Department of Finance, *Aggregate Productivity Tables*; Statistics Canada, *Catalogue 15-204, Aggregate Productivity Measures*.

exempt from the Goods and Services Tax, enhancing the competitiveness of Canadian-made goods on international markets.

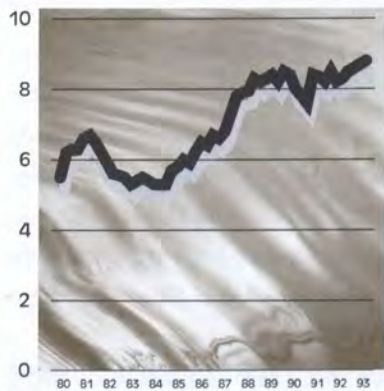
A recent study found that Canada's overall effective corporate tax rates are comparable to those of the United States, and slightly lower when the more favourable treatment of loss-corporations is taken into account. Other



studies examining taxes on labour, health insurance premiums, and refundable tax credits available for manpower training indicate that the burden of

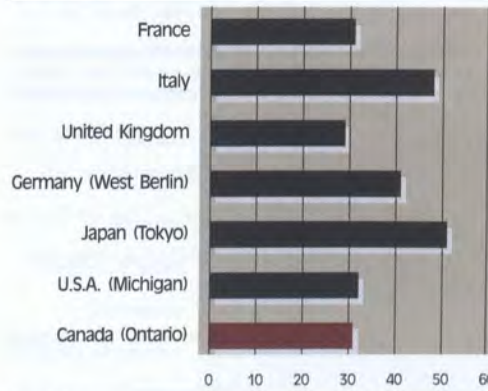
corporate and other taxes and social contributions on businesses is virtually the same in both countries or slightly lower in Canada.

Increasing Investment in Machinery and Equipment
(% of GDP)



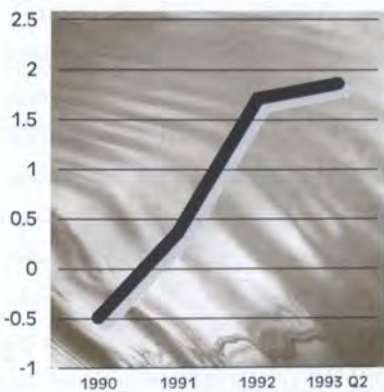
Source: Statistics Canada, Catalogue 13-001, National Income and Expenditure Accounts.

Competitive Manufacturing Corporate Tax Rates
(statutory corporate rate - comparison between G-7 countries - January 1, 1993)
Average Corporate Rate (%)



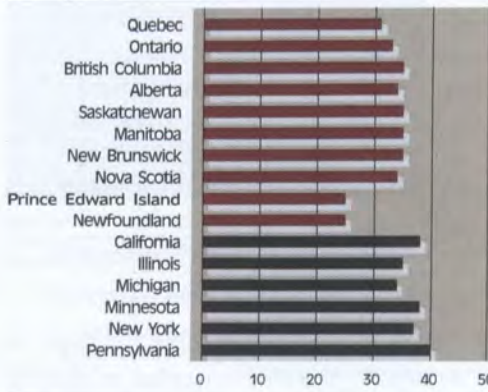
Sources: Preparing your Corporate Tax Returns, CCH Canadian Limited (1994); Corporate Taxes: A Worldwide Summary, Price Waterhouse (1993).

Canada's Growing Labour Productivity
(% increase - annual rates)



Sources: Department of Finance, Economic and Fiscal Reference Tables; Statistics Canada, Catalogue 15-204, Aggregate Productivity Measures.

Competitive Manufacturing Tax Rates
(combined federal/provincial or federal/states rates - December 31, 1993)



Sources: Preparing Your Corporate Tax Returns, CCH Canadian Limited (1994); State Tax Handbook, CCH Inc. (December 31, 1993).

MOST GENEROUS R&D TAX INCENTIVES

A study by the Conference Board shows that Canada's tax treatment of R&D expenditures is the most favourable among the major industrialized nations studied. Tax relief for R&D spending is provided by both the federal government and five provinces.

Large companies qualify for a federal R&D tax credit of 20% on eligible R&D expenditures, which can be used to reduce or eliminate federal tax otherwise payable. Small Canadian-controlled companies qualify for a federal R&D tax credit of 35% on up to \$2 million of annual R&D expenditures. The 35% tax credit on current expenditures may be fully refundable.

All R&D expenditures can be written off over one year.

The tax credits are applicable to all eligible current and capital R&D expenditures. Buildings and used equipment do not earn tax credits.

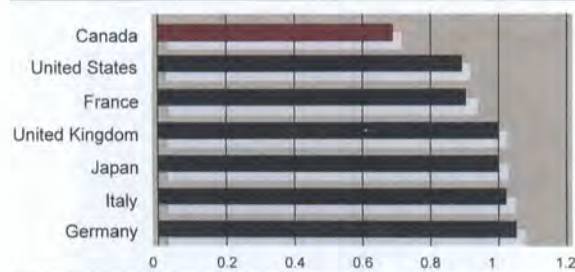
This regime is substantially more favourable than that in the United States, where a tax credit of 20% is available on incremental R&D expenditures only, and where capital expenditures are depreciated over five years and do not earn tax credits.

PATENT PROTECTION

Recent changes to the country's Patent Act have also made Canada a more attractive investment destination for innovative companies involved in medical research and development. The amendments, which came into effect in 1993, bring patent protection for drugs and medicines into line with that accorded to new products in all other sectors of the economy. This adds, on average, three years to the effective patent protection of innovative drug products, from 17 to 20 years.

Patent protection in Canada is generally consistent with that provided by other countries under both the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA).

Lowest Tax Burden on R&D Investment
(competitiveness of tax treatment of R&D (B-ratio) - 1993-1994)



Source: Conference Board of Canada, *International Competitiveness of Canadian R&D Tax Incentives: An update, June 1994*.

Notes: 1) Canadian figure based on Quebec tax regime, U.S. figure based on California tax regime.

2) The B-ratio is the ratio of the present value of the before tax project returns to the present value of the project cost at which a project becomes profitable.



LESS GOVERNMENT INTERVENTION

Regulatory reforms have improved efficiency in the resource, transportation, telecommunications, financial services, and food and drug industries.

In many cases, these reforms have created new competition in the supply of services to international businesses in Canada. As well, the federal government has stimulated free-market forces by privatizing many government enterprises in the aerospace, transportation, satellite communications, fisheries, oil and gas, and other sectors. Provincial governments have also been moving in step with many of these efforts to reduce the level of government intervention in the market.

PROGRAMS TO SUPPORT SMEs, TECHNOLOGY AND R&D

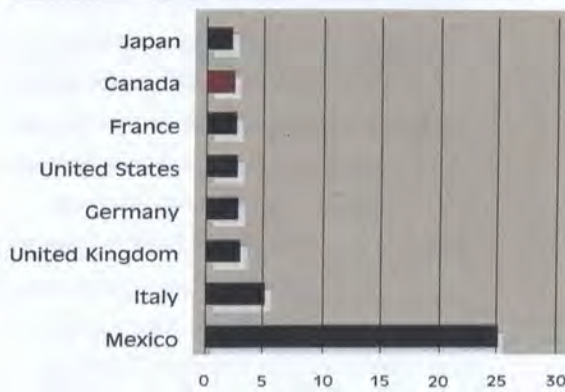
The Government of Canada has a number of programs of particular interest to smaller and high technology companies.

Industry Canada is the focus of these initiatives to build a modern, more competitive economy. In addition to funding capital expansion, modernization and start-up programs, it also promotes industrial research and development. Assistance generally takes the form of a repayable or non-repayable contribution up to a maximum per cent dollar cap.

Grant and contribution programs include:

- *The Microelectronics and Systems Development Program*
- *The Strategic Technologies Program*
- *The Environmental Technology Commercialization Program*
- *The Advanced Manufacturing Technologies Sector Campaign, and*
- *The Microelectronics Sector Campaign.*

Average Annual Inflation Rate
(GDP deflator 1990 to 1992, CPI for Mexico)



Source: International Financial Statistics, Feb. 1993.

WELCOMING INTERNATIONAL INVESTMENT

Canada welcomes international investment, whether from a multinational looking to invest in a new facility or from an individual bringing capital and an entrepreneurial spirit.

Canadian federal and provincial governments support business investment through an extensive network of regional

"WE BASED OUR DECISION TO INVEST IN ALBERTA (CANADA) ON SEVERAL FACTORS. WE WERE FAVOURABLY IMPRESSED BY THE STRENGTH OF THE PROVINCE'S ECONOMY ... THE AVAILABILITY OF A SKILLED WORKFORCE, AND THE ALBERTA GOVERNMENT'S FREE ENTERPRISE OUTLOOK."

DAVID CAPLAN, PRESIDENT,
PRATT & WHITNEY CANADA



"IN MY EXPERIENCE, WHICH HAS INCLUDED TIME IN THE U.S., AS WELL AS IN EUROPE AND THE MIDDLE EAST, I CAN HONESTLY SAY THAT I HAVE NEVER ENCOUNTERED A MORE FOCUSED ENTREPRENEURIAL GOVERNMENT AND INDUSTRY TEAM THAN IN NEW BRUNSWICK, CANADA."

DENNIS WILLIAMS, PRESIDENT,
GENERAL ELECTRIC CANADA

development programs and by providing counselling and information services, as well as incentives for research and development, training, export promotion, and other business activities.

INVESTMENT INCENTIVES AVAILABLE

The Government of Canada has a variety of programs that support business investment, offered through various departments and agencies. In addition to programs that apply across Canada, investors should be aware of the following regional programs:

The ***Western Economic Diversification Canada (WD)*** encourages economic development in western Canada by acting as an advocate for western interests. WD provides repayable financial assistance projects involving new products, new markets, new technology, import replacements, and improved industry-wide technology.

The ***Federal Economic Development Initiative for Northern Ontario (FEDNOR) Business Incentive Program*** provides business information, advice, and financial assistance to a variety of business sectors, including manufacturing and processing, selected service and repair businesses, tourism enterprises, and small business. Assistance is available for start-up, expansion or modernization of facilities, market

research and promotion, and product innovation or development.

The ***Atlantic Canada Opportunities Agency (ACOA)*** provides assistance towards the establishment, development, and promotion of small and medium-sized businesses in Atlantic Canada. Sectors eligible for support include manufacturing and processing, business support services, commercial R&D activities, mining, tourism and aquaculture.

The ***Canada-Quebec Subsidiary Agreement on Regional Development***, administered by the Department of Industry, provides for programs in the resource regions of northern Quebec and in the central regions. These programs assist manufacturing and processing companies in improving their competitiveness, domestically and internationally. Financial assistance is available for studies and capital investment (plant and equipment in the resource regions; new equipment only in the central regions). There are two additional programs targeted at the Montreal area (east and southwest) and at innovation projects throughout the province.

A broad range of investment incentives is also offered by provincial, regional, and local governments. When it comes to incentives, Canadian jurisdictions are competitive with others in North America.

JOB TRAINING PROGRAMS

Canada's governments place a high priority on training as part of an all-out effort to build a highly skilled workforce. In 1992-93, federal spending on employment programs and services totalled some \$3.55 billion.

Programs offer significant financial assistance for companies wishing to train workers. Developed in consultation with both the private sector and provincial governments, this strategy means that private sector employers can receive the financial support necessary for both classroom and on-the-job training and retraining.

For example, the *Labour Market Adjustment Program* provides negotiated contributions to help employers meet current or future skill needs, to train or retrain workers whose skills

have become redundant, or to encourage training for certain designated groups, such as the disabled.

A program component called *Work Sharing* provides income support to enable employers to retain their workers and avoid layoffs during temporary work slowdowns. The Industrial Adjustment Service can provide firms and communities with up to 50 per cent of the cost of a labour adjustment situation, to a maximum of \$200,000.

Under the *Community Development Program*, financial contributions are available to employers for training-related costs, wage subsidies and other specified costs associated with local job development and job creation projects.

Additional training assistance to employers is also offered by provincial governments.

FREE TRADE: UNIQUE OPPORTUNITIES FOR INTERNATIONAL INVESTORS



**"WE SHIP THROUGH-
OUT NORTH AMERICA
BY RAIL, TRUCK, AND
BARGE. TO US,
THERE IS NO BORDER
BETWEEN CANADA
AND THE U.S."**

*TERRY LITCHFIELD, MANAGER,
TRANSPORTATION &
DISTRIBUTION, CANADIAN
OXY CHEMICALS GROUP
ELECTRONICS LTD.*

**"THE CONTINENT HAS
SHRUNK TO OVER-
NIGHT DELIVERY BY
AIR AND THREE DAYS
BY TRUCK FROM ALL
OF THE MAJOR
INDUSTRIAL CENTRES.
WE LOOK AT NORTH
AMERICA AS ONE BIG
COUNTRY."**

*MAX PERSAUD, MANAGER,
CORPORATE LOGISTICS,
PHILIPS ELECTRONICS LTD.*

GREATER OPPORTUNITIES FOR BUSINESS IN CANADA

Investors in Canada enjoy the advantages of tariff-free access to the world's richest economy, through the Canada-U.S. Free Trade Agreement (FTA). The North American Free Trade Agreement (NAFTA), effective January 1, 1994 improved the Canada-U.S. agreement and extended the access of Canadian-based companies to markets in Mexico.

The FTA was built on a long history of economic cooperation between the countries. As a result of the Canada-U.S. Auto Pact signed in 1965, the major American automobile companies have for many years used cost-effective Canadian plants as a base for production of cars and parts for the U.S. market, and Canada has been a consistent net exporter of automobiles for this reason. Even before the FTA, over 80% of Canada's exports to the United States entered that market duty-free.

The FTA offered a number of important improvements on Canada's open trading arrangement with the United States. Canada gained unique access to an impartial trade dispute resolution procedure that has already been used to undo trade barriers to a number of Canadian-made products, in a much faster process than through the GATT. Canada also has a special exemption to U.S. tariffs imposed under GATT

measures that enable a country to temporarily protect an industry against an import surge, where Canadian exports are not a major part of the surge. Many other provisions were designed to ensure that Canadian-based manufacturers and service suppliers had the same access to American markets and government contracts as firms based in the United States. Canada is, in fact, the leading exporter to the United States, and has the largest two-way trade relationship with the U.S.

Canadian exports to the U.S. have shown considerable growth since the signing of the trade agreement, a sign that Canadian-based companies are winning new markets for their products and services as tariffs and other trade barriers are removed. The largest export gains have been in manufactured goods liberalized under the FTA, which have climbed almost 38% since the accord took effect in 1989.

Canada's Stable Dollar
indexes of annual average exchange rates vs
U.S. dollar (value in Jan. 1987 = 100)

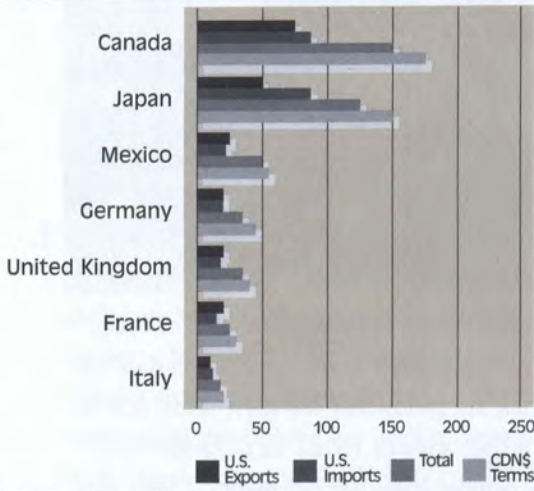


Sources: Bank of Canada Review; International Monetary Fund, International Financial Statistics, Feb. 1993.





Strongest Links with the U.S. Market
 (total trade with the U.S.; U.S. \$
 converted into Cdn \$ - 1991, in thousands)

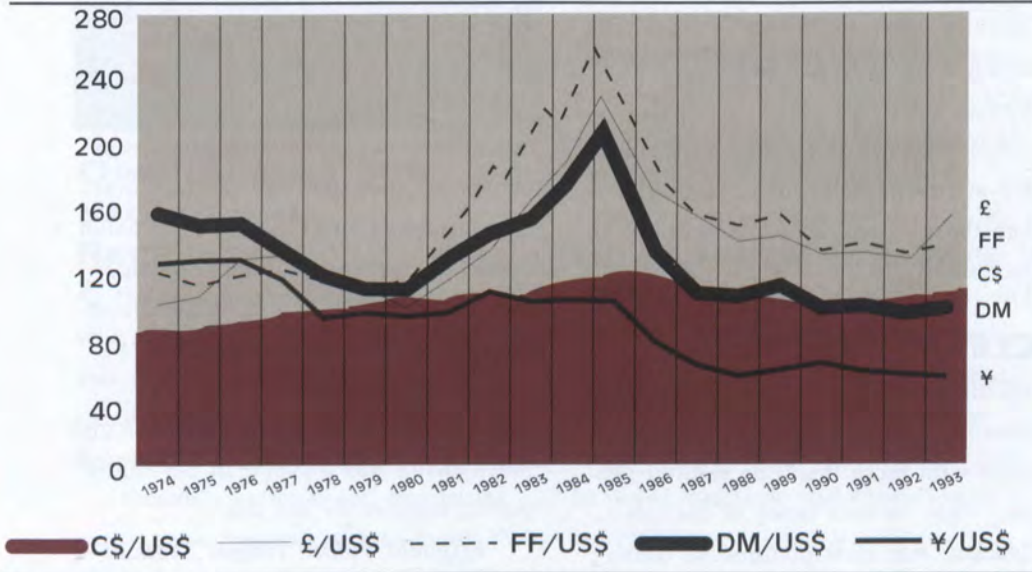


Sources: OECD, Monthly Statistics of Foreign Trade, January 1993;
 U.S. Department of Commerce, International Trade Administration.

The NAFTA accord creates even more opportunities for Canadian exporters by opening up the Mexican market in a similar manner. In the future, NAFTA is expected to be expanded to other countries.

Canada's close trading relationship with the U.S., and its sound monetary policy, have helped to ensure that Canadian exchange rates with the U.S. have been more stable than the U.S. dollar values of other major currencies. This stability is an asset to Canadian-based companies that reduces the risks to their export competitiveness.

Canada's Stable Dollar
 indexes of exchange rates vs U.S. dollar (value in Jan. 1980 = 100)



Source: Bank of Canada Review.



A SAFE, SOPHISTICATED WAY OF LIFE

"COSMOPOLITAN CITIES, A MILD CLIMATE, AND PHYSICAL BEAUTY MAKE BRITISH COLUMBIA, CANADA ONE OF THE MOST ATTRACTIVE LOCATIONS IN THE WORLD FOR CAREER-MINDED ENGINEERING PROFESSIONALS. SEVERAL UNIVERSITIES AND OTHER POST-SECONDARY SCHOOL INSTITUTIONS OFFER A CADRE OF HIGH CALIBRE GRADUATES TO SUPPORT HUGHES AIRCRAFT'S FUTURE GROWTH."

W. C. SITLAND, PRESIDENT,
HUGHES AIRCRAFT OF
CANADA LIMITED, SYSTEMS
DIVISION

While Canada has a broad spectrum of political opinion, the stability and durability of its political institutions are among its chief claims to fame. In addition to a high level of business success, executives moving to Canada can look forward to enjoying a high quality of life. According to the Human Development Report of the United Nations, Canada ranks first among nations of the world with respect to the U.N.'s human development index, which combines economic, social, and political indicators.

HIGH-QUALITY, LOW-COST EDUCATION

Canada has a mix of both public and private schools to the secondary level, including international schools that attract students from around the world. Canada's universities and colleges rank among the best in the world and, through extensive public sector support, are able to provide quality education at substantially lower tuition fees than those of equivalent institutions in the United States.

CLEAN, SAFE CITIES

Canada has 26 urban areas with populations in excess of 100,000, and three cities with more than one million people. They include many of the safest, cleanest, and most picturesque urban centres in North America. Serious



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crime rates are less than half of those in the United States, and Canadian cities are renowned for their wide mix of ethnic groups living in harmony in a cosmopolitan environment. Clean air and drinking water are ensured by governments and industries, which are working together to maintain a healthy environment.

OTHER FEATURES OF CANADIAN URBAN AREAS INCLUDE:

Varied Cultural Activities – Canadian cities boast high-quality live theatres, movie theatres, music and dance companies, art galleries, and public libraries. Canadian cities are home to ballet, opera, and orchestral companies that tour to international acclaim, and also host visits from the finest performers from around the world. The U.S. National Endowment for the Arts found that Canada was a leader in per capita public support for the arts.

Efficient Public Transit Systems – Canadian cities are known for their



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clean and efficient subways, commuter rail lines and buses, and modern, well-maintained highway and road systems.

Cosmopolitan Environment –

Canada's cities bring together European, Asian, Latin American and African cultures. Vancouver boasts a major Asian community, for example, and Toronto is a blend of European, Asian and other cultures, while the province of Quebec brings a bilingual (French-English), European flavour to North America. International executives are able to enjoy both North American and their traditional home-country cuisine, entertainment, and literature in Canada.



OPEN SPACES FOR SPORTS AND RECREATION

As the world's second largest country with the lowest population density among major industrialized nations, Canada offers unlimited opportunities for outdoor recreation.

Canada's national and provincial parks, encompassing an area larger than the entire national territory of Italy or

Japan, include rugged mountain terrain, fresh-water lakes, scenic coastal areas, unique Arctic vistas, and vast stands of unspoiled forests. Many Canadian executives often own second homes in picturesque lake and mountain areas, just an hour or so from major cities.

Popular recreational sports include golf, fishing, swimming, bicycling, skiing, hockey, baseball, soccer, hiking, sailing, and canoeing. Canada is also home to professional sports teams in major-league baseball, hockey, football, and soccer, as well as professional and amateur events in golf, tennis, and other individual sports.

WORLD-CLASS MEETING FACILITIES

Canadian cities have long been recognized for their expertise in organizing major international gatherings, including hundreds of international conventions each year. For example, the G-7 Heads of State will meet in Halifax in 1995 (they also met in Toronto in 1989); Vancouver was host to a U.S.-Russian Presidential Summit meeting in 1993 and to the 1986 World's Fair; and both Montreal and Calgary have been the sites of highly successful Olympic Games. Major Canadian cities offer ample hotel and convention space for business meetings, trade shows, and conventions.





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HOSPITABLE CLIMATE

Canada has a varied, four-season climate that often surprises visitors expecting much colder conditions. The vast majority of the nation's population lives within 250 km of the U.S. border, and Canada's most southerly point is on the same latitude as Northern California. As a result, most major Canadian cities experience weather that is similar to that of the Northern U.S. or Northern Europe.

UNIVERSAL HEALTH CARE

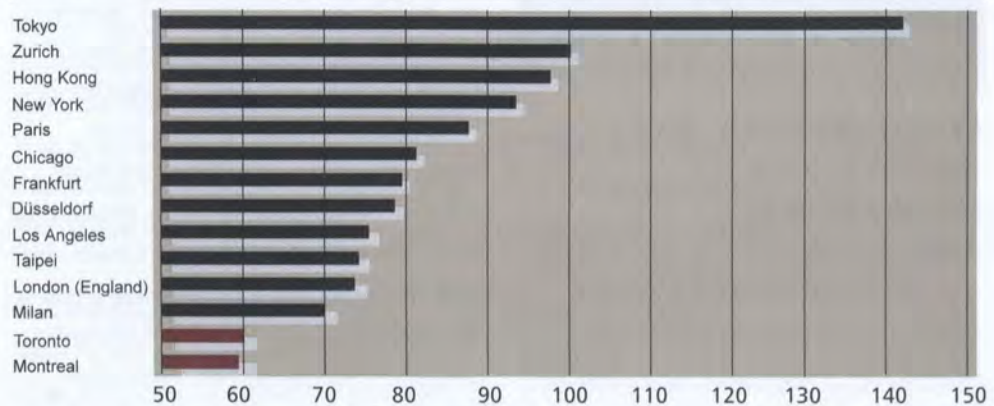
Executives relocated to Canada become eligible for enrollment in Canada's universal system of health care, which combines the best features of American

and European practices to provide excellent care at reasonable cost. All Canadian residents are insured through a health care plan administered by their provincial governments, which allows individuals the right to select their own doctor. This health insurance program is particularly beneficial to the business community, by offering comparable care at much lower costs than those in the United States.

AFFORDABLE COST OF LIVING

Canada's cities and towns offer all of these amenities while remaining very affordable relative to other international business centres.

**Price Levels of Major Cities
(Zurich = 100)**



*Source: Union Bank of Switzerland, Prices and Earnings Around the Globe, 1994 Edition.
Note: costs of a basket of 112 goods and services, including 3 rent categories, weighted by consumer habits.*



CANADA'S BOTTOM LINE ADVANTAGES



EXCELLENT INVESTMENT PROSPECTS

Most of the world's leading multinational companies have operations in Canada. Even during the recent worldwide recession, investment flows into Canada continued unabated. As this publication has demonstrated, there are sound reasons why international companies have selected Canada as a location for new investment. But don't take our word for it. Speak to the managers of multinationals with operations throughout North America. They will tell you that their Canadian operations "produce the best numbers".

They have recognized that Canada offers a stable political and social environment, a rich domestic market for their products and services, and a competitive base for exports throughout North America and beyond. They rely on Canada's skilled labour force for sophisticated manufacturing, efficient

service delivery, and effective research and development. They gain the advantages of secure, low-cost access to mineral resources and energy, a sophisticated, well-maintained transportation and communications infrastructure, and proximity to the world's richest markets. And international executives who have moved here enjoy an enviable quality of life for themselves and their families.

With the Canadian economy entering a new growth period, showing strong export gains, low inflation, and growing labour productivity, the prospects for international investors in Canada have never been better. Indeed, private-sector economic forecasters expect strong growth in corporate profits in Canada over the next several years. Canada boasts a future that represents an attractive bottom line for the international investor.

"WE HAVE BEEN MANUFACTURING HERE FOR 75 YEARS. OUR SOFTWARE LAB ... IS ONE OF OUR TOP THREE WORLDWIDE. WE RECENTLY OPENED A NEW EDUCATION AND CUSTOMER SUPPORT CENTRE. FOR OUR EMPLOYEES ... ATTRACTIVE LIVING, EDUCATIONAL AND WORKING CONDITIONS ... MAKE A SUPERB QUALITY OF LIFE."

*WILLIAM A. ETHERINGTON,
PRESIDENT AND CHIEF
EXECUTIVE OFFICER, IBM
CANADA LIMITED*

"WHEN I THINK OF ITS WIDE TERRITORY AND ABUNDANT NATURAL RESOURCES, ITS WELL EDUCATED PEOPLE, AND ITS HIGH QUALITY OF LIFE, MY CONVICTION FOR CANADA'S SUCCESS IN THE 21ST CENTURY REMAINS UNCHANGED. CANADA DESERVES VERY SERIOUS CONSIDERATION AS A DESTINATION FOR INVESTMENT."

*MASAO IKEDA, FORMER
EXECUTIVE VICE-PRESIDENT,
MITSUI & CO. (CANADA)
LTD.*

