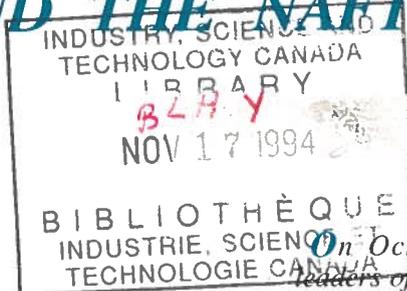


INVESTING IN CANADA

A NEWSLETTER ON CANADA'S INVESTMENT CLIMATE

Vol. 6, No. 2 — Fall and Winter 1992

INVESTMENT AND THE NAFTA



On October 8, 1992, the leaders of Canada, the United States and Mexico initialled the North American Free Trade Agreement in San Antonio, Texas. The NAFTA is scheduled to come into effect on January 1, 1994. In this issue, we highlight some of the challenges and opportunities of trilateral free trade among Canada, the U.S. and Mexico. Also included is a report on the forums that were held across Canada during Investment Month last June.

One of the principal Canadian objectives in negotiating the North American Free Trade Agreement (NAFTA) was to enhance Canada as a place to invest. First and foremost this was accomplished by securing Canada's place in the largest trading arrangement in the world. NAFTA gives Canadian businesses and international companies who invest in Canada access to a market of 360-million people.

In a recent analysis of the NAFTA from the Fraser Institute, the editors Steven Globerman and Michael Walker note, "arguably the most important aspects of any trade agreement are its provisions respecting investment. Foreign direct investment is an increasingly common route by which foreign competitors enter a domestic market. The security of their investments and the knowledge that they will be treated fairly or at least the same as domestic investors are key elements in the decision to flow capital into a particular country".

In this new trinational analysis, authors Alan Rugman and Michael Gestrin state that the agreement is much more than the Canada-U.S. Free Trade Agreement plus Mexico. "The authors judge that, on the whole, the new provisions in NAFTA will encourage intra-regional investment flows and, indeed, even improve flows from the rest of the world into the region. In that sense, NAFTA improves on the FTA." A host of factors determine investment climate: a country's overall economic performance, taxation levels, infrastructure, proximity to markets, cost of capital, price and currency stability, ➤

INSIDE THIS ISSUE

Solarchem Agreement	p. 5
Technology Promotion	p. 6
Investment Month Report	p. 7
Immigrant Investor Program	p. 9
Appointments	p. 10



INVESTMENT CANADA INVESTISSEMENT CANADA

INVESTMENT AND THE NAFTA



L to R (front): Mexican Trade Minister Jaime Serra Puche; U.S. Trade Rep. Carla Hills; Cdn. Trade Minister Michael Wilson; (back): Mexican President Carlos Salinas de Gortari; U.S. President George Bush; Cdn. Prime Minister Brian Mulroney, at NAFTA initialling, San Antonio, Texas, October 8, 1992. (AP/Wide World Photos)

skills in the labour force, the attitude and policies of the government towards investment, and, of course, various firm-specific requirements. Taken together, Canada has the pre-eminent investment climate in North America and is poised to lead G-7 growth as the world emerges from recession. Canada stands to fare well in the competition to attract investment worldwide.

While Mexico is now actively seeking foreign investment, Canadian business has been cautious about investing in Mexico. There are many reasons for this, related to the Mexican investment climate and the stability of that climate. A number of specific concerns, however, were addressed in the final agreement.

Mexico agreed to the basic framework for investment which has now become the norm for industrialized countries – national treatment, most favoured nation treatment, minimum standard of treatment according to international law, and prohibition of trade-distorting performance requirements. These principles will apply to virtually all forms of investment for all investors in a NAFTA country. This latter point means that European and Japanese investors, for example, with investments

in Canada will be covered by NAFTA if they use Canada as a “home base” to make investments in the U.S. or Mexico. This is an improvement on the Free Trade Agreement (FTA).

Some other principles marked a radical departure from Mexican custom and will make an important contribution to the security of Canadian business interests in Mexico. Most important in this regard is the investor-state dispute settlement mechanism agreed in the NAFTA. The Mexican court system has sometimes been considered uncertain for foreign investors. Under the new mechanism, Canadian investors who believe the Mexican government has taken a measure contrary to NAFTA, and which has led to a claim for monetary compensation, may take this claim to international arbitration. The NAFTA establishes procedures for this arbitration which are designed to be fair and prompt and remove political interference from the settlement of disputes.

Mexico has traditionally refused to bind itself to the internationally accepted concept of paying full and fair compensation for expropriated investments. This has historic roots in U.S.-Mexican relations and was a major hurdle in the

negotiations. In the end, however, Mexico accepted the obligation. Similarly, Mexico has accepted the obligation to allow free transfer of all investment-related funds out of the country at the market rate of exchange.

As well, Mexico has to take balance of payments measures in line with International Monetary Fund guidelines. By accepting and building upon these international principles, investment in Mexico will be afforded a significant new degree of security. This will in turn allow Canadian companies, whether Canadian or foreign-controlled, to invest in Mexico from a Canadian base, reaping the benefits of NAFTA.

Canada, like the U.S. and Mexico, has certain laws which do accord preferences to nationals in certain sectors – for example in telecommunications, transport and energy. None of these Canadian sectoral investment policies is affected by the NAFTA nor are Canadian cultural industries or social services.

Measured against its stated objectives, Canada fared well in the negotiations. Improvements were made to the FTA in such areas as dispute settlement. Key Canadian sensitivities were protected. And Canadian business is assured of greater and more stable access to the Mexican market. Resulting freer circulation of trade and investment within NAFTA will help Canadians and others to build global, more competitive, companies based in Canada.

Canada’s superior competitive position has been safeguarded and indeed improved by negotiating a far-reaching new set of investment rules in North America while not raising any new barriers to offshore international partners. In addition, the potential for new members in the NAFTA is an exciting prospect which would benefit the global system as a whole.

*Alan Nymark
Executive Vice-President
Investment Canada*

NAFTA — WHAT IT MEANS FOR INVESTORS WITH OPERATIONS IN CANADA

1 *The Market*

Scheduled to come into effect on January 1, 1994, NAFTA creates a single, North American market of 360 million consumers—larger than the 12 countries of the European community—and a combined GDP in excess of \$7 trillion.

Canadian goods, services and capital will have barrier-free access to the affluent U.S. market as well as to Mexico—one of the most promising economies in the world.

2 *Elimination of Tariff and Non-Tariff Barriers*

Most Canadian exports enter the U.S. free of duty. With NAFTA, the remaining tariffs on Canadian exports to the U.S. will be eliminated no later than January 1, 1998. Tariffs on Canadian exports to Mexico will be phased out over 10 years.

Mexico will provide immediate duty-free access for many of Canada's key export interests including agricultural and fish products, many metals and minerals, most telecommunications equipment, many types of machinery, and certain wood and paper items. Mexican tariffs in sectors such as furniture, pharmaceuticals, and some wood and finished metal products will be phased out over 10 years.

Most of Mexico's non-tariff barriers such as import licences will be eliminated within 10 years.

3 *National Treatment*

NAFTA provides for national treatment, most favoured nation treatment, and the prohibition of trade distorting performance requirements.

Canada, the U.S., and Mexico will treat each other's goods, services, and investors as they treat their own. Once

goods, services or investments from one country enter the other, they cannot be discriminated against on the basis of origin.

International investors with investments in Canada will be covered by NAFTA if they use Canada as a "home base" to make investments in the U.S. or Mexico.

4 *Secure Market Access*

NAFTA ensures secure access for Canadian-based exporters to both the U.S. and Mexico. Clearer North American content rules, including those for autos, reduce the risk of unilateral interpretations by customs officials.

5 *Improved Dispute Settlement Mechanisms*

Exporters and investors can be reassured that their interests will be effectively defended in a more transparent and enforceable dispute settlement system.

Settlement or determination of remedies regarding anti-dumping and countervailing disputes will be by binational panels, not domestic courts.

Disagreements between investors and NAFTA governments may be settled through international arbitration.

6 *Government Procurement*

All three countries have agreed to provide substantially increased access to government procurement opportunities not only in goods, but also in services, including construction services.

7 *Facilitation of Business Travel*

Business travel will be expedited through the introduction of simplified procedures. Eligible business people will be granted temporary entry without any prior approval procedures.

8 *Intellectual Property Protection*

The NAFTA includes comprehensive coverage of intellectual property rights encompassing standards and rules of enforcement. The patents, trademarks, copyrights and trade secrets of Canadian-based companies and individuals will be protected.

The Agreement provides a higher level of protection for intellectual property rights than any other bilateral or multilateral agreement.

9 *Investment*

Mexico will reduce investment restrictions on dozens of sectors, including autos, mining, agriculture, fishing, transportation and most manufacturing.

Investor state arbitration has also been included so that disputes between investors of a NAFTA country and a NAFTA government may, at the investor's request, be settled through international arbitration. This will give Canadian investors in the United States and Mexico added confidence and security.

Under the NAFTA, 100% foreign investment will be allowed in most Mexican industries.

There are major disciplines on the use of trade distorting investment restrictions, ensuring that Canada and NAFTA countries remain preferred sites for domestic and foreign investment.

Review thresholds regarding investments in individual Mexican companies will be raised, from a maximum threshold of US\$25 million in the first year of the agreement to US\$150 million after nine years.

The preferential review threshold under the Investment Canada Act as

NAFTA — WHAT IT MEANS FOR INVESTORS WITH OPERATIONS IN CANADA

(cont'd from p. 3)

agreed to in the Canada-United States Free Trade Agreement (FTA) will apply to Mexican investors as well as when the NAFTA takes effect on January 1, 1994. Under the FTA, the threshold for 1993 is CDN\$152 million (gross assets of business being acquired) for direct acquisitions. Indirect acquisitions by American and Mexican investors will no longer be reviewable under the Investment Canada Act.

10 NAFTA vs EC

The European Community has eliminated internal trade barriers but has established a common external tariff and is moving towards common internal regulations covering goods, services, capital and people.

The NAFTA members will maintain existing import regimes with their other trading partners. There will be no comprehensive harmonization of internal regulations or policies, economic, social, cultural or otherwise.

SECTOR-SPECIFIC PROVISIONS

11 The Auto Sector

The Canada-U.S. Auto Pact continues.

The Mexican auto market—the fastest growing in North America—will be opened to Canadian automotive exports. The Canadian manufacturers will get immediate access to Mexico for medium and heavy-duty trucks and buses.

With NAFTA, Mexican tariffs on vehicles and light trucks will be cut in half immediately. Within five years, duties on three-quarters of parts exports to Mexico will be eliminated. Mexican “trade balancing” and “local content requirements” will be phased-out over 10 years.

The North American content requirement for light vehicles including cars and light trucks, to qualify for duty-free treatment, has been raised to 62.5% in two stages over eight years. New plants will have five years to reach the new content level. Major plant refits will have two years.

A clearer, easier to achieve formula for calculating North American content has been agreed to.

The NAFTA includes an extension of the duty draw-back until 1996. A new duty refund system thereafter will reduce future input costs for Canadian manufacturers.

12 Financial Services

Under the NAFTA, Mexico will provide substantial access to its market after a transition period. Canadian banks, trust companies, securities brokers and insurance companies will be able to open subsidiaries, invest in, and acquire ownership of financial institutions in Mexico.

13 Other Service Sectors

The NAFTA provides coverage of cross-border services including transportation services, specialty air services (e.g. aerial mapping and surveying), and professional services.

In transportation services, the trucking industry has been opened to allow greater freedom for Canadian transporters to carry cargo from Canada to the U.S. and onward to Mexico.

Canada and Mexico have agreed to maintain their relatively open international maritime shipping market.

Mexico has agreed to open its market to business and professional services, including management, engineering, advanced data processing, accounting and legal services.

Canadian-based companies will be able to bid for major procurement con-

tracts of the U.S. and Mexican governments and state-owned corporations. In the U.S., the services market is approximately \$30 billion a year. In Mexico, the state-owned petroleum and electricity corporations contract for more than \$8 billion a year in goods and services.

14 Textiles and Apparel

The NAFTA contains new, tighter rules of origin requiring greater sourcing in North America. For apparel, the new rules require that yarns and fabrics in a garment be made in North America to qualify under the Agreement. For yarns, the fibres must originate in North America. These new rules are offset by increased “tariff rate quotas” which provide preferential access for Canadian-made garments to the U.S. market.

15 Energy and Petro-Chemicals

The NAFTA limits Mexico’s use of restrictive trade practices in the energy sector. It contains disciplines that prohibit Mexico from applying discriminatory border restrictions and export taxes.

The elimination of Mexican investment restrictions on secondary petrochemicals, coupled with the immediate elimination of trade restrictions on most petrochemicals, offers important opportunities for Canadian-based companies. The Agreement also contains clearer disciplines on energy regulators to avoid discriminatory actions and to minimize disruption of contractual arrangements.

16 Agriculture

The Canada-U.S. Free Trade Agreement continues to govern agricultural trade between Canada and the United States. Within the NAFTA, Canada and Mexico have a separate agreement. Mexico’s market will be opened through the immediate elimination of import licences and the phase-out of tariffs.

SOLARCHEM LICENSING AGREEMENT WITH ITALIAN COMPANY



Left to right (front): Gherardo Lavia, Gruppo Bono; Pasquale Punzo, Gruppo Bono; Dr. Samuel Stevens, President, Solarchem; Doug Lorriman, Chairman, Solarchem

Left to right (back): Mike Farley, Canadian Consulate, Milan; Dr. Norm Schmidtke, Schmidtke & Associates; Ms. Eleonore Rupprecht, Government of Ontario/MITT; Richard LePage, Investment Canada

Solarchem Environmental Systems of Richmond Hill, Ontario has signed a licensing agreement with Artes Ingegneria S.p.A., one of the Bono Group of companies based in Milan, Italy.

The agreement provides Artes with the rights to manufacture, market, sell and service Solarchem's RAYOX technology in Italy. RAYOX, developed by Solarchem, is an enhanced oxidation process which destroys organic contaminants in water.

"This agreement represents the first major step in our strategy to introduce RAYOX to the European market," says Dr. Samuel Stevens, President of Solarchem. "Artes and its sister companies already have a good presence in the Italian water treatment market. They are a natural partner for us," said Mr. Stevens.

Services of the Canadian Consulate in Milan, the Ontario Government Delegation in Milan, Investment Canada and project consultant, Dr. Norm Schmidtke, were used extensively during the negotiations. Solarchem is currently discussing similar agreements with companies in other European countries.

Investment Canada, in collaboration with External Affairs & International Trade Canada and Industry, Science & Technology Canada, has an on-going project to assist Canadian industrial wastewater management companies in finding partners in key markets abroad. Solarchem and Artes were first introduced during a Canadian mission to identify potential European partners.

*Richard LePage
Investment Canada*

INVESTMENT CANADA RELEASES TWO WORKING PAPERS

Investment Canada last fall released two working papers entitled, "Business Performance Following a Takeover" and "Foreign Investment in Canada: Measurement and Definitions".

The first study, "Business Performance Following a Takeover", was prepared by Regional Data Corporation under contract to Investment Canada. The paper evaluates performance of firms which were subject to an acquisition or takeover by calculating various financial ratios and then comparing them to industry norms. The levels of

research and development spending and investment intensity (investment as a proportion of revenue) were particularly examined to determine if these two elements suffered adversely after an acquisition.

The second paper released by the Agency, "Foreign Investment in Canada: Measurement and Definitions", examines and summarizes the ways foreign direct investment and related statistics are measured by the different federal government organizations which produce the data. More specifically, it

evaluates the various strengths and limitations of each of these various data sources. If you would like a copy of either of these two papers, please contact:

*John Knubley
Director, Investment Research
Investment Canada
P.O. Box 2800, Station D
Ottawa, Ontario
K1P 6A5
Tel: (613) 995-7077
Fax: (613) 996-2515*

INVESTMENT CANADA PROMOTES INVESTMENT IN TECHNOLOGY

Investment Canada promotes investment in Canadian firms who are active in strategic technology sectors. It does so by assisting small and medium sized Canadian companies in these sectors find the capital, technology, joint ventures and strategic alliances they are seeking.

The Agency's efforts have focused on the following industrial sectors:

- advanced software
- biomedical
- biotechnology
- electronic technologies
- industrial wastewater
- lasers & optoelectronics
- ocean technologies

New sectors being added to the program in 1992 include:

- geomatics
- telecommunications
- solid & hazardous waste
- food packaging
- europartnering (accessing East European markets)

In the fiscal year ended March 1992, there were 13 deals consummated and 18 self-funded company visits resulting from these projects.

There are three specific phases involved in promoting investment in strategic technology sectors; they are:

Opportunity Identification

Investment Canada works with private sector experts to profile Canadian companies, their performance and their partnering requirements. These profiles are packaged in the form of a kit which promotes these specific Canadian investment opportunities. As well, each kit provides an overview of the advantages of doing business in its particular sector in Canada.

Marketing

The marketing phase involves working closely with investment counsellors, trade commissioners abroad and private sector experts to identify appropriate vehicles and venues for presentation of the firms to foreign investors. The goal of this phase is to enable the private sector expert to engage in one-on-one meetings with pre-qualified foreign firms.

Follow Up

Foreign firm interest is brought to the attention of the Canadian companies and information is exchanged with a view to bringing the firms together either in Canada or in the foreign country. All such visits are self-funded. Private sector experts assist in discussions between potential partners and work with the Agency to organize company visits.

Investment Canada has European and U.S. programs planned in the near fu-

ture. The table below provides a schedule of events.

Besides the events in Europe and the United States, Investment Canada also is a sponsor of the following events in Mexico and Asia:

Investment and Business Opportunities in Canada Seminars, which will take place in Mexico, March 15 -19, 1993. The seminars will promote Canada as an attractive place to invest and provide accurate and timely information to inquiries from potential investors. For further information, please contact: Audrey Turner at Tel: (613) 995-0759 or Fax: (613) 996-2515.

Asia Advanced Communications Strategic Partnering Project, which promotes strategic partnerships between small and medium sized Canadian and Asian companies in the data communications sector and the wireless/mobile communications sector. The project helps Canadian companies gain access to developing technologies in Asia and expand into Asian markets.

FUTURE INVESTMENT PROSPECTING EVENTS IN EUROPE AND UNITED STATES, 1993	
Industrial Wastewater	United Kingdom, one-on-one meetings (March) New York, Matchmaking event (March) Italy, one-on-one meetings (March)
Lasers Optoelectronics	Austria, one-on-one meetings (February) France, one-on-one meetings (February)
Software	Chicago, matchmaking event (March) Italy, ICOGRAPHICS event (March) Germany, one-on-one meetings, CeBit Exhibition (March) United Kingdom, one-on-one meetings (March) Finland, Follow-up meetings (February and March) Denmark, Follow-up meetings (February and March)
Health Care	Denmark, Round tables and one-on-one meetings (March) Finland, Round tables and one-on-one meetings (March) Sweden, Round tables and one-on-one meetings (March)

If your company wants more information on the Investment Prospecting Program, please contact Dr. Chummer Farina at (613) 995-9259, or Fax: (613) 996-2515.

INVESTMENT FORUMS CONFIRM NATIONAL INVESTMENT CHALLENGE



Jean McCloskey, President of Investment Canada, and Michael Wilson, Minister Responsible for Investment Canada.

Almost 700 people attended a series of Investment Forums held in Vancouver, Winnipeg, Toronto, Montreal and Halifax in June 1992. Sponsored by Investment Canada, the seminars focused on investment as a key to Canada's prosperity.

"Across the country, response was both encouraging and challenging," says Jean McCloskey, President of Investment Canada. "I was particularly struck by the eagerness to embrace the challenge and the enthusiastic suggestions we received."

A key goal was to raise awareness of the essential need to mobilize national investment for sustained productivity and economic growth. The Forums provided a clear sense of the concerns of a broad range of participants.

Stanley Kwok, Director and Senior Vice-President of Concord Pacific Developments, reminded the Vancouver Forum that an investment decision is centred on how to maximize profits. Attracting foreign investment is no different from encouraging domestic investment. He said that a double burden

of heavy taxation and regulation – and constant changes – badly detract from Canada as a place to invest.

At the Winnipeg Forum, the President and CEO of Husky Oil Limited, Art Price, suggested several measures for improving Canada's competitiveness. He said the tax system should be altered to favour long-term equity financing rather than debt financing. The current system exacerbates the negative effects of Canada's cyclical economy. The direct accountability of employees for company performance should be promoted by ensuring that the tax system does not penalize those who receive company stock in lieu of pay.

Gordon Sharwood, an investment banker, told the Toronto Forum that small and medium-sized business, which fosters

entrepreneurs and creates the most jobs, is a dynamic force in the economy. He said that small business has special problems and should have better access to equity capital, better tax treatment of capital gains and much less regulation.

In Montreal, Donald Beaupré, Chairman and CEO of SR Telecom Inc., described how his firm had emerged from a large multinational company to become a successful telecommunications equipment company. He said the company identified a market niche, developed a product specifically for that market and now has sales world wide. The National Research Council played a critical role in overcoming technical problems in design of the product.

David Lyons, President of R&D Lyons Consultants, pointed out to the Forum in Halifax that strategic alliances and joint ventures are a route to success, particularly for small companies aiming at international markets. He declared that Europeans regard Canada as a bridge to trade in the Americas. A marine electronics firm in Nova Scotia is an example of how businesses in the Atlantic provinces can prosper through partnerships. Key benefits include two-way transfers of technology and easier access to overseas markets. (p. 8) ➤

What should business do?

- Pursue long term growth
- Have an international perspective - learn from abroad
- Encourage entrepreneurship and innovation
- Increase spending on machinery and equipment and invest in technology
- Develop a quality workforce as a source of strength
- Work with stakeholders to develop leading edge products

INVESTMENT FORUMS CONFIRM NATIONAL INVESTMENT CHALLENGE

What should labour do?

- Emphasize training as the key to prosperity
- Place a priority on flexibility
- Explore employee ownership and profit sharing options

(cont'd from p. 7)

Workshops at each of the five Investment Forums covered four themes:

The National Investment Challenge. Canada will have to intensify its investment effort during the 1990s. This means increased savings and less current consumption.

Making Quality Investments. We need to invest smarter, not just more.

Seeking Foreign Investment. It is needed to supplement domestic savings, to help integrate Canada with international markets and to gain new technology.

Canadian Firms and Global Markets. Investment, trade and technology are increasingly transnational. Canadian firms must restructure to compete in the today's global markets.

Participants in the workshops had a number of remedies for the problems faced by business.

Many suggested that business must become more active in education and training. One observed that we need to make the education system pro-business. The present system hampers Canada's competitiveness.

For a large number of speakers, total quality management was a necessary and effective policy for gaining and keeping customers and building a financially sound enterprise.

Research and development should be more effectively promoted by forging strong partnerships between business and universities, and by bringing to

market the results of such joint efforts.

There is need for long-term, patient capital that focuses on specialized areas of expertise, not specific products. While Canadian firms are competing successfully in international niche markets, there is much that can, and should, be learned from abroad. Much more needs to be done in the areas of entrepreneurship, total quality management, training and strategic partnering. Speakers recognized that, in general, investment in research and development in Canada has been lagging, and that the private sector must do more.

Labour representatives at the forums focused on the need to give workers more direct accountability and responsibility for corporate performance. They suggested such vehicles as profit-sharing, employee-ownership and involvement in quality management and training. Labour-management partnerships are already established in a number of industries. Training and flexibility can be the keys to the workforce developing to full potential.

Generally, from the five Investment

Forums, one message was clear. The business, government, labour and academic communities realize that Canada does have an urgent need for funding. Recognizing that the leading role belongs to business, many speakers declared that increased investment is critical to improved long-term corporate performance.

"In sum," says Jean McCloskey, "we were told that Canada needs an action plan that will encourage a long-term, strategic approach to investment by all concerned. There is a clear link between savings, investment and prosperity. Those who save and invest, prosper."

*Robert Ready
Investment Policy Group
Investment Canada*

For a report on the Investment Forums, "Investing in Canada's Future," contact:

*Publications Officer
Investment Research and Policy
Investment Canada
P.O. Box 2800, Station D
Ottawa, Ontario K1P 6A5
Tel: (613) 992-3847
Fax: (613) 996-2515*

What should governments do?

- Secure an optimum, stable investment climate
- Streamline regulatory procedures
- Encourage investment in R&D and innovation networks
- Coordinate social policy objectives and competitiveness objectives
- Continue to liberalize domestic and international investment and trade barriers

THE IMMIGRANT INVESTOR PROGRAM

The following article was prepared by Employment and Immigration Canada for Investing in Canada.

The Immigrant Investor Program (IIP) was conceived to provide small and medium-sized Canadian businesses with access to developmental and risk capital which would not otherwise be available from more conventional sources as well as to create and maintain employment for Canadians.

By way of background, the IIP is a component of the Business Immigration Program (BIP) of Immigration Canada, and is jointly-administered by the provinces/territories in close cooperation with the Federal Government. The federal level ensures that regulatory requirements and national standards are met, while the provincial/territorial level determines the economic acceptability of individual investment proposals for their region.

As part of the overhaul of the *Immigration Act*, the Minister has presented to Parliament a number of amendments to the Act which will allow the IIP to seek appropriate remedial action against program abusers. These amendments will be backed up by strong enforcement powers to prevent or correct misuse of the IIP. A regulatory framework will be developed in consultation with the provinces and territories.

An Immigrant Investor is defined in the federal regulations to the Immigra-

tion Act as a person "who has successfully operated, controlled or directed a business of commercial undertaking" and, who having a net worth of at least \$500,000 (accumulated by his/her own endeavours), makes a prescribed level of investment in an approved business or fund in Canada. The level of investment - \$250,000 or \$350,000 - is determined by the location of the proposed investment. An investment of \$500,000 or more is not dependent upon location and may be secured by a third-party guarantee.

Between January, 1986 and December 1992, over 7,500 immigrant applicants had purchased individual subscriptions representing \$1.5 billion in potential investment funds. Of this amount, \$849.2 million has been invested in different projects and businesses across the country, creating in excess of 10,000 full-time jobs for Canadians.

Recent figures indicate that monies raised under the Program represented investment capital flows into Canada equal to almost 50% of the Canadian venture capital pool which stood at \$3.3 billion in 1989. Immigrant investors contributed approximately 50% of all new development capital to Canada's economically-disadvantaged regions. In fact, in some provinces, IIP investments have represented virtually all of this type of investment.

Canadian businesses may tap these potential funds in two ways. The first

method involves the actual creation of an investment vehicle, which may be in the form of a fund or a specific project, and marketing the vehicle in foreign markets. Such vehicles are regulated by the IIP, the province where the investment is to take place, and often by overseas securities authorities. Detailed information on the requirements, regulations and procedures can be obtained from the IIP or provincial governments (a listing of pertinent addresses is available from IIP).

The second method is to approach existing funds to determine whether a Canadian business is eligible under an existing fund's criteria. While this method does not involve provincial and federal approvals, it does require knowledge of what is available on the Canadian market. Investment opportunities will have to complement the specific investment strategy of a particular approved fund. A listing of existing funds is available from the IIP.

For information about the Immigrant Investor Program, please call an IIP program analyst at (613) 941-9002 (Fax: 613 941-9014). (For the province of Quebec, please contact: Ministère des Communautés culturelles et de l'Immigration, Service d'aide à l'immigration d'affaires (514) 873-2730.)

*John F. Martin, Deputy Director
Immigrant Investor Program
Employment and Immigration
Canada*

CANADA DAYS IN GERMANY

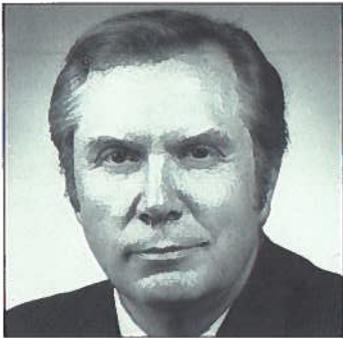
Investment Canada assisted the Canadian Consulate in Munich Germany to organize two Canada Day events. The events focused on the microelectronics, lasers and optoelectronics, and medical devices industries. At each event Canadian speakers conducted roundtables which focused on the investment/strategic alliances potential between German and

Canadian firms in these sectors. The events were held on August 25 and 27, 1992 and were co-hosted with the local Industries un Handelskammer (IHK) in Lübeck and Hamburg, Germany. The event was organized as part of an ongoing marketing activity to raise Canada's high-technology profile in Europe and deliver the message that Canada is interested in strategic alian-

ces with European companies. If you would like more information on similar, upcoming events, please contact:

*James Holloway
Investment Canada
P.O. Box 2800, Stn. D
Ottawa, Ont. K1P 6A5
Tel: (613) 996-4292
Fax: (613) 996-2515*

INVESTMENT CANADA IS PLEASED TO ANNOUNCE THESE APPOINTMENTS...



Ross Preston
*Vice-President, Investment
Research and Policy*

Mr. Preston served as Senior Research Director at the Economic Council of Canada since 1976. Prior to joining the Council, he was Executive Director of Wharton Economic Forecasting Associates, the forerunner of the WEFA Group, adjunct Full Professor, University of Pennsylvania, and economist for the Bethlehem Steel Corporation and the IBM corporation. Mr. Preston holds a Ph.D. in economics from the University of Pennsylvania.

As Vice-President of Investment Research and Policy, Mr. Preston will oversee Investment Canada's research projects regarding national and international investment trends, as well as investment policies and regulations of other countries.



Peter K. MacKinnon
*Special Adviser,
Investment, Canadian High
Commission, London*

After 20 years in a variety of posts in government, science and business in

Canada and the United States, Mr. MacKinnon brings a wealth of experience to his new post in London. He obtained a B.A. in Earth Sciences and a B.A. Hon. in Physical Geography from Carleton University. In 1981, he joined Cognos Inc. (formerly Quasar Systems) in Ottawa, one of the world's largest software products firms. He was Director of Corporate Development, and recently, the Director of Computer-Aided Software Engineering at Cognos.

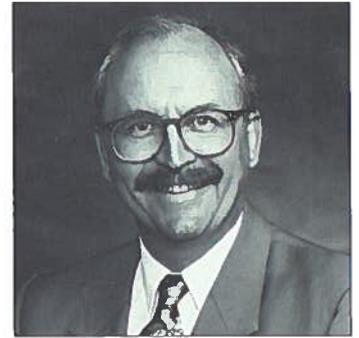
As a Special Adviser in the Canadian High Commission, Mr. MacKinnon will play an active role developing investment opportunities between Canadian companies and firms in the United Kingdom.



Frank Hess
*Counsellor, Investment,
Canadian Embassy, Bonn*

Former General Manager of the Sudbury Regional Development Corporation in Sudbury, Ontario, Mr. Hess has been a chief executive officer, a partner in a consulting firm and an international marketing executive. In 1977, he became President of Terra Steel Corp., which manufactured and installed steel buildings overseas. Later, he became a partner in a project development firm in Germany. His background includes extensive knowledge of investment in Germany and Canada.

In his capacity as Investment Counsellor in the Canadian Embassy in Bonn, Mr. Hess will implement programs to introduce the advantages of Canadian investment to companies in Germany.



Pierre Boulanger
*Counsellor, Investment,
Canadian Embassy, Paris*

With broad experience at home and abroad, Mr. Boulanger is familiar with the needs of Canadian business and entrepreneurs. He obtained degrees in Business Administration from Laval University and in Urban Affairs from Boston University. Joining the Department of External Affairs in 1973, Mr. Boulanger served in Mexico City and Boston, where he became Consul in 1979. In 1988, he took the position of Director of International Affairs at Industry, Science and Technology Canada in Ottawa and, two years later, he became Industrial Commissioner of the Greater Quebec Economic Development Corporation. As an Investment Counsellor in Paris, Mr. Boulanger will develop programs to attract investment from French firms wishing to serve global markets from Canada.

Investing in Canada is published quarterly by Investment Canada, the investment development agency of the federal government. The mandate of Investment Canada is to promote investment in Canada, by both Canadians and non-Canadians; to carry out research and provide policy advice on investment matters; and to review major foreign investments to ensure they are of net benefit to Canada.

Investing in Canada
P.O. Box 2800, Station D,
Ottawa, Ontario K1P 6A5
Tel: (613) 995-9525
Fax: (613) 996-2515