



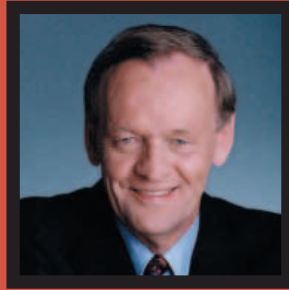
# Canada's Winning Secrets



Government  
of Canada

Gouvernement  
du Canada

Canada



Jean Chrétien

M E S S A G E F R O M T H E

## Prime Minister

Canada is a vast nation with vibrant scenery and a wealth of natural resources. Visitors to Canada have come to appreciate our reputation as a beautiful country and are rarely disappointed. But there is more to Canada than its beauty.

Canada plays an important role in the new global knowledge-based economy. We are recognized the world over for our innovative capabilities and advanced technologies. Canadian companies are considered world leaders in industries from fibre optics to aerospace. These industries are the engine driving economic growth and job creation in Canada. This country also offers many compelling competitive advantages to potential foreign investors, including a highly skilled work force, low production and research and development costs, and a high standard of living.

Our proximity to the United States and its marketplace makes Canada a prime location for foreign investors. More and more, foreign companies wishing to access the American markets establish themselves here in Canada.

As Prime Minister of Canada, I am pleased to be able to offer you this booklet focussing on the Canadian investment advantage. It contains important financial information which, I hope, will lead you to consider Canada in your investment prospecting. Canada is a country with a strong and progressive economy that offers foreign investors dramatic growth potential.

I invite you to explore all that Canada has to offer.

I N V E S T I N C A N A D A

---

It's great news when your country makes  
*World Trade Magazine's* Top 30 rankings for trade and expansion.  
But if that's great, how excellent is making the Top 3?  
*For three straight years? Through good times and bad?*

The Canadian economy grew by more than 4% in 2002, at a  
time when other leading economies were barely keeping their  
heads above water. The OECD and IMF have both predicted  
that Canada will continue to lead G-7 growth in 2003.  
*Do you want to know why?*

---

## CANADA'S WINNING SECRETS

---



### DYNAMIC WORK FORCE

Educated, Available, Loyal and More .....

4



### CHOICE LOCATION

Canada's and America's Intertwined Economies .....

10



### LOW COSTS

Lowest Costs in G-7 Have Canada Booming .....

14



### GREAT INFRASTRUCTURE

Support for Entrepreneurs .....

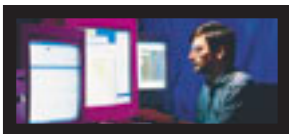
20



### SUMMARY AND CONTACTS

.....

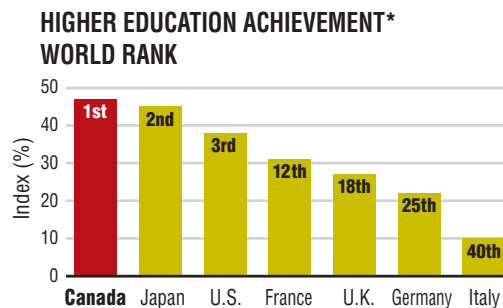
30



## Mining for Minds? Check Canada's Mother Lode.

The *Global Competitiveness Report* (2001-2002) ranks Canada first in the world at developing knowledge workers. And the *World Competitiveness Yearbook, 2002*, places Canada first for the advanced education level of its population – Canada has the highest rate of post-secondary enrolment in the world.

- Nearly half of Canadians over 25 have post-secondary education, either at university, college or technical school.
- Despite Canada's rigorous university entrance requirements, one out of five Canadians have earned university degrees.



\*Percentage of the population that has attained at least tertiary education, among 49 countries considered in the *World Competitiveness Yearbook, 2002*.

- The tenth edition of the prestigious *Gourman Report* – produced by American analysts – rated all North American university-level electrical engineering programs. Of the exalted top forty, eighteen were Canadian.

## And in Canada, More of the Smart Stay Put.

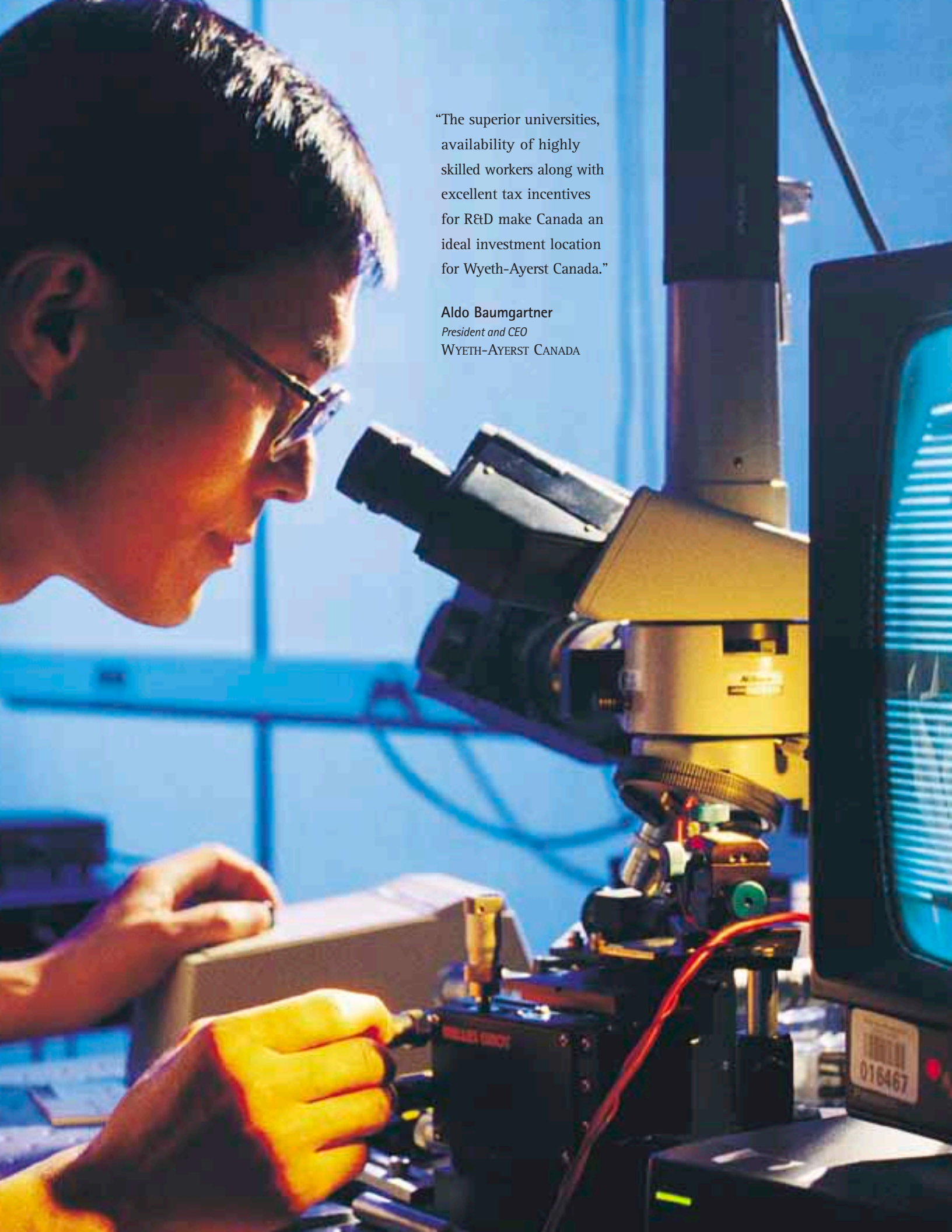
Availability of workers and loyalty of workers are crucial to business stability and success. There are reasons that shortages of knowledge workers have not been as severe in Canada as in the United States.

Canada has a high graduation rate for post-secondary students, for a start. It also welcomes well-educated workers from foreign countries. As a result, there are more good workers in the high-skill job market in Canada on a per-capita basis than there are in the United States.

The Canadian labour turnover rate is half the rate in the U.S., resulting in labour cost savings of 7-10% in this area alone. In Canada, workers tend to be very good at what they do. They are also far more likely to stick around.





A close-up, profile view of a man with short dark hair and glasses, wearing a white lab coat, looking intently through the eyepiece of a large, complex microscope. The microscope is yellow and black, with various lenses and adjustment knobs. To the right, a computer monitor displays a blue-tinted image of a grid or pattern. The background is a bright blue wall with a window frame. The lighting is dramatic, with strong highlights and shadows.

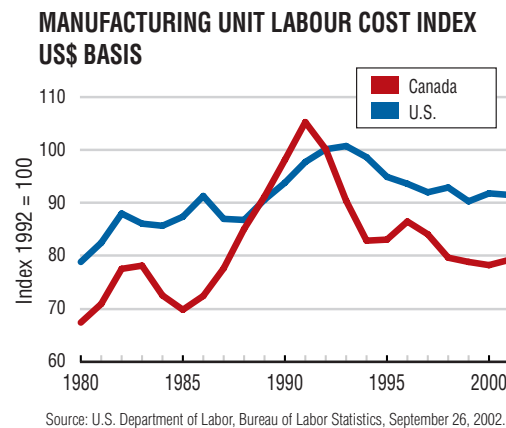
“The superior universities,  
availability of highly  
skilled workers along with  
excellent tax incentives  
for R&D make Canada an  
ideal investment location  
for Wyeth-Ayerst Canada.”

**Aldo Baumgartner**  
*President and CEO*  
WYETH-AYERST CANADA



## Good Workers Never Come Cheap. But Some Are More Reasonable Than Others.

Compare the cost of knowledge workers in any Canadian city with those in Silicon Valley and other high-cost U.S. locations. A 2002 study by KPMG, the well-known international business analysts, found that the cost of Canadian technical and professional workers is less than 70% of the cost of U.S. workers. Canada's overall labour costs were the lowest of the nine countries surveyed: United States, United Kingdom, France, Germany, Italy, Austria, the Netherlands, Japan and Canada. Why? Canada has the lowest cost of living in the G-7. It also offers a great quality of life. Young Canadians could often earn more elsewhere. But most find that with ever-expanding opportunities in Canada, moving doesn't always make sense.



## Magnetic North Pole Draws Best and Brightest to Canada.

Canada is the fastest place to pull together world-wide research or production teams. For a start, Canada is a multicultural society that welcomes people from other lands. Canada's recent immigration levels have been double those of the U.S., with priority given to high-skill workers. Quality workers settle in Canada permanently.

The Canadian government enables fast track immigration for key employees. In Canada, high tech workers can work without having to acquire special employment validation. Under new regulations, work visas can be produced in days for key workers and their families. Spouses and other partners are permitted to work in Canada. Some good reasons why Canada has traditionally offered up a bountiful supply of skilled workers.





“Our costs per engineer are roughly half of what they would be in the United States.”

Steve Arling  
*Vice-President*  
*Wireless Loop Business*  
HARRIS CANADA



## Perfect Canadian Marriage: Technologies Wed to Skills.

Canada ranks No. 2 in the G-7 for technological infrastructure (*World Competitiveness Yearbook, 2002*), and is tops in the world for “Technological Potential”. Technological Potential is a concept put forward by the World Economic Forum. It adds a country’s technological capacity to the availability of workers skilled enough to squeeze the most production out of that technology.

Canadian investment in information technology has outpaced U.S. investment on a per-capita basis in recent years, growing at an annual rate of 18.3% in Canada between 1995 and 2001, compared to 13.1% in the United States.

## We’re Not Just a Pretty Face.

Canada’s beauty and abundance of natural resources too often obscure the fact that it is home to one of the most technologically advanced economies in the world. Even Canada’s resource sector has become extremely technologically advanced – this sector’s exciting productivity gains are one reason that resource exports are still vital to the Canadian economy. But Canada has moved far beyond its resource base to build a dazzling new knowledge economy based on its abundance of knowledge workers and its technological capacity. The U.S. and Canadian telecommunications and automobile industries, for instance, are virtually integrated across the Canada-U.S. border. Cutting-edge American producers recognize Canadian leadership in industries such as fibre optics and biotechnology. These new “industries of the mind” are key to Canada’s astounding economic growth.

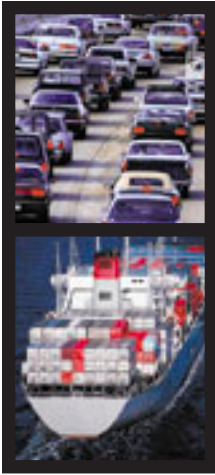
Each year, *World Trade Magazine* identifies the top 30 countries in the world for trade and expansion, using the U.S. economy as a benchmark. Canada ranked first in the world in 2000, a strong third in 2001 and third again in 2002. We’re not going away.



“The reason we like Canada is not only because there is a good market here but also because there is a good skills base.”

**Bob Morine**  
*Vice-President, Public Sector*  
IBM CANADA





## Can Canada Be Closer to the U.S.A. than ... the U.S.A.?

Many Canadian production hubs are actually closer to target U.S. markets than American production sites. Of Canada's 20 largest cities, 17 are within an hour-and-a-half's drive of the United States and many are much closer. Several, like Vancouver, Windsor, and Montréal, are minutes away.

Production locations in Québec and the industrial heartland of southwestern Ontario are often closer to huge American markets around New York, Boston and Chicago than are popular American production hubs like Atlanta and Raleigh. Canada and the United States are linked by several highly integrated modes of transport. Fast and efficient trucking, rail, ocean shipping and air services focus on just-in-time delivery. Seamless intermodal services utilize the latest intelligent transportation systems.

In December 2002, Canada and the United States signed a pact to work together to create a "smart border" to make their ever-growing trade relationship even better, focusing on new technologies and infrastructure to smooth the way. In early 2003, commercial border crossings were averaging less than ten minutes. Canada is spending \$1.6 billion to further streamline border access to rich U.S. markets.

## The NAFTA Advantage: Who Wants to Be an \$11.4 Trillionaire?

The signing of NAFTA interconnected the Canadian and U.S. economies for nearly all business purposes. As a result, Canadian-based producers have access to more than 400 million consumers brandishing a combined GDP of more than US\$11.4 trillion.

Canada's economy has been growing at an astonishing rate. As a result, Canada's 32 million consumers constitute a lucrative market in themselves. But it is the voracious U.S. marketplace, home to nearly 300 million people, that gives Canadian-based companies such a huge advantage over companies based in countries outside North America. Success in lucrative U.S. markets separates winners from losers in the global marketplace. Canadian-based companies are winning. For many Canadian companies, exporting to America is their primary *raison d'être*.





“There are no longer two separate Canadian and U.S. marketplaces on this continent. It has become one North American market, and Canada is an ideal base from which to serve it.”

**Jim Miller**  
*Senior Vice-President, Corporate Affairs*  
HONDA CANADA





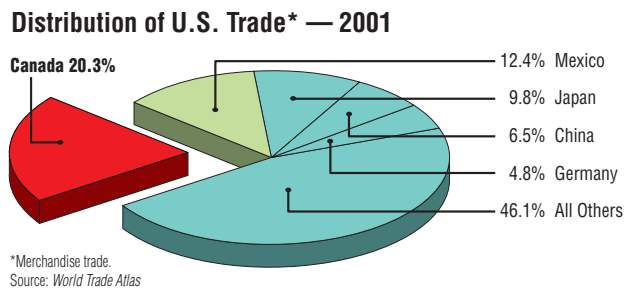
## Canada is America's No. 1 Trading Partner — by a Long Shot.

Trade between America and Japan – the two economic powerhouses of the late 20th century – remains massive, amounting to over half a billion American dollars a day.

That's impressive, but it doesn't win the cigar. Not by a long shot. Canada is easily America's largest trading partner. Two-way trade between Canada and the United States was valued at US\$676 billion in 2001. That amounts to nearly US\$2 billion a day! Between 1996 and 2001, trade between Canada and the U.S. grew at a compound average rate of 9.8% a year.

## Canada's Exports to the U.S.: The High-Value-Added Boom.

High-value-added goods now make up the majority of Canada's exports to America. A few examples. **Example 1:** Canada's province of Ontario now runs neck-and-neck with America's state of Michigan in the production of automotive vehicles. Ontario is gaining a reputation for its capabilities in the "intellectual" components of automotive production. **Example 2:** Canada exports more telecommunications equipment to the United States than it imports. While the export of commodities to the United States is still important to the Canadian economy, high-tech exports are leading Canada's exports surge to America.

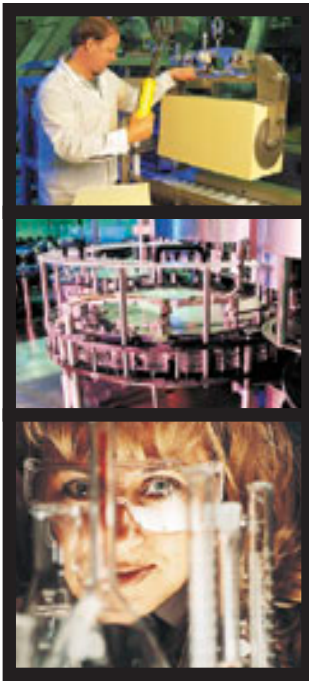




“A knowledge-based workforce, a competitive R&D tax structure, government support programs such as Technology Partnerships Canada, and well-established infrastructure in Canada: these attributes make Canada the top choice for Pratt and Whitney Canada in considering future R&D investments in the ever-increasing competitive world of aerospace.”

**Gilles P. Ouimet**  
*Chairman*  
PRATT & WHITNEY CANADA INC.





## Canada's Proven Cost Advantages.

Lower costs for skilled workers reflect lower Canadian costs overall in categories as varied as construction, land, rentals, communications, transportation, energy and various taxes. The nine-country 2002 KPMG business costs study shows that Canada offers by far the lowest overall business costs of any country in the G-7, the Netherlands or Austria. KPMG studied the costs of small and medium-sized industries setting up and operating in manufacturing (metals, plastics, food processing, electronic assembly, precision components, pharmaceuticals, specialty chemicals); software (advanced software, content development); R&D (biomedical and electronics systems); and corporate services. The survey involved 86 cities and 30,000 items of data.

Canada's production costs proved to be 14.5% lower than America's and the edge was even greater in high-tech areas – a 33% advantage for electronics systems development and testing, for instance. Canada was the lowest-cost country in seven of the twelve operations, including software, R&D, corporate services, and two manufacturing operations – electronics assembly and specialty chemicals.

There are obviously places in the world where production costs are lower than they are in Canada. But there is no other place where costs are this low and other advantages – such as availability of first-class knowledge workers, access to low-cost R&D, and easy access to huge markets – are so bountiful.

Low-cost knowledge workers. Low corporate taxes. Low cost of living. Combined with first-rate R&D and production capacity. Sitting right on top of the most lucrative marketplace in the world. Canada has become one great place for entrepreneurs to reach around the world.



## NATIONAL RESULTS BY INDUSTRY AND BUSINESS OPERATION (U.S. = 100.0)

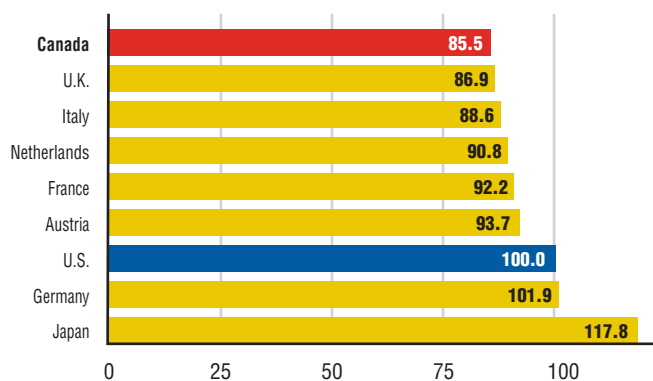
Industry	Operations Modeled	Canada	U.S.	Austria	France	Germany	Italy	Netherlands	U.K.	Japan
<b>Auto Parts<sup>1</sup></b>	<b>Weighted Average</b>	<b>89.0</b>	100.0	91.5	91.7	101.6	87.8	89.4	87.0	121.9
	Metal Components (75%)	<b>88.9</b>	100.0	91.1	91.3	101.3	87.4	89.0	86.6	122.0
	Plastic Components (15%)	<b>89.0</b>	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
	Electronic Subassemblies (10%)	<b>89.4</b>	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
<b>Aerospace<sup>1</sup></b>	<b>Weighted Average</b>	<b>87.8</b>	100.0	93.0	92.3	103.6	87.4	90.6	87.2	119.8
	Precision Parts (45%)	<b>86.0</b>	100.0	91.2	89.8	102.7	83.9	87.5	83.9	117.5
	Electronic Subassemblies (40%)	<b>89.4</b>	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
	Plastic Components (15%)	<b>89.0</b>	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
<b>Medical Devices<sup>2</sup></b>		<b>90.6</b>	100.0	95.8	95.2	104.5	92.0	94.3	90.0	118.6
<b>Manufacturing<sup>3</sup></b>										
Building Products (Hardware)	Metal Components	<b>88.9</b>	100.0	91.1	91.3	101.3	87.4	89.0	86.6	122.0
Plastics	Plastic Products	<b>89.0</b>	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
Agri-Food	Food Processing	<b>92.5</b>	100.0	93.4	94.4	99.5	91.3	92.1	90.9	109.6
Telecom & Electronics Equipment	Electronics Assembly	<b>89.4</b>	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
Precision Manufacturing	Precision Components	<b>86.0</b>	100.0	91.2	89.8	102.7	83.9	87.5	83.9	117.5
Pharmaceuticals	Pharmaceutical Products	<b>90.9</b>	100.0	95.4	95.3	103.2	91.9	94.4	90.7	115.0
Chemicals	Specialty Chemicals	<b>89.6</b>	100.0	95.2	95.5	103.2	92.6	95.3	92.4	111.4
<b>R&amp;D<sup>3</sup></b>										
Laboratory Research	Biomedical R&D	<b>72.2</b>	100.0	84.1	82.0	97.8	80.4	82.0	78.7	124.5
Product Testing	Electronic Systems Dev't/Testing	<b>66.9</b>	100.0	81.4	75.2	88.8	74.3	74.8	71.0	114.3
<b>Software<sup>3</sup></b>										
Software Design	Advanced Software	<b>77.8</b>	100.0	93.9	91.5	99.6	89.1	90.1	82.0	108.8
Web Development	Content Development	<b>77.6</b>	100.0	96.6	87.1	97.1	85.4	87.6	80.7	115.6
<b>Corporate Services<sup>3</sup></b>										
Corporate Services	Shared Services Center	<b>80.3</b>	100.0	111.8	104.2	123.4	91.6	100.9	90.0	154.2

<sup>1</sup> Due to the more complex nature of these industries, results are calculated based on composite results for multiple operations as indicated. While weightings are based on industry research, different approaches may give different weightings and cause results to differ. As these industry results are based on other operations, they are not included in determining the overall, 12-business operation average.

<sup>2</sup> This industry is not included in the overall, 12-business operation average.

<sup>3</sup> Industries represented by a single operation.

## COMPARISON OF ANNUAL BUSINESS COSTS\* Overall, 12-business operation average (U.S.=100.0)



\*Total business costs comprise the sum of location-sensitive costs and location-insensitive costs.  
Source: *Competitive Alternatives: Comparing Business Costs in North America, Europe and Japan*. KPMG, 2002.

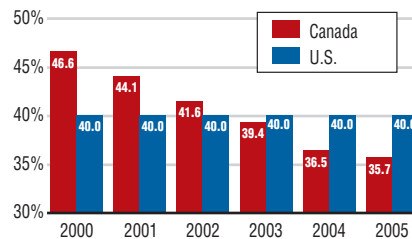


## Quickly – Which Country Woos Corporations With Lower Taxes: Canada or the U.S.A.?

The Canadian government imposes the lowest level of payroll taxes in the G-7, which naturally lowers our overall corporate tax burden. In KPMG's 2002 survey of G-7 countries plus the Netherlands and Austria, Canada's effective burden of corporate taxes ranked **second lowest**. America ranked **second highest** of the countries surveyed. This is not a misprint! By 2005, Canadian-based firms will average a corporate tax rate advantage in the neighbourhood of 5 percentage points over U.S.-based firms. This advantage will increase to about 6.6 percentage points by 2008. Top rates on capital gains are now lower than the typical rate in the U.S. The federal capital tax will be completely eliminated by 2008.

Canada consistently ranks among the dozen countries in the world most open to competitiveness, as measured by the World Economic Forum. And things just keep getting better. The *Global Competitiveness Report* placed Canada third in the world for growth in competitiveness in its latest rankings (2001-2002). Canada also finished ahead of every other country except the United States in a recent study by the Global Entrepreneurship Monitor (GEM) that gauges the vitality of entrepreneurial activity in 10 countries.

**CORPORATE INCOME TAX RATES**  
(including capital tax equivalents)



Source: *The Economic and Fiscal Update*, October 30, 2002.

## Foreign Investment: The Welcome Mat is Out.

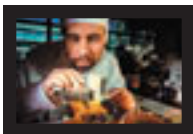
Foreign companies almost always create jobs and import new technologies when they set up or expand in Canada. Canada welcomes this type of foreign investment. In fact, it goes looking for it. The government has led a series of Team Canada trade and investment missions abroad in recent years promoting overseas trade with Canadian-based companies and seeking out investors who might appreciate Canada's numerous advantages. The kind of red tape that sometimes delayed outside investors in earlier years has been eliminated. Canada is open for business.



“[There is] an excellent business climate here: sound fiscal management in the public sector, attractive R&D tax incentives, and unique opportunities to partner with governments to achieve growth.”

**J. David O'Brien**  
*President*  
HONEYWELL AEROSPACE CANADA





## Where Else Can You Buy Cutting-Edge R&D for 41¢ on the Dollar?

Canada offers the most generous R&D tax incentives in the G-7. In 2003, depending on the province and type of expenditure, any dollar a non-manufacturing firm spends on R&D in Canada will end up costing between 41¢ and 51¢, with manufacturing firms paying only a penny or two more. Canada's R&D tax credits feature a broad definition of eligible costs, over a wide range of activities. Immediate and full write-offs that reduce federal and provincial taxes are granted for most current and capital R&D expenditures.

Since 2000, the Canadian government has invested more than \$3 billion in the Canada Foundation for Innovation, to ensure that our universities, hospitals and other research institutions have the best infrastructure possible to pursue leading-edge research and train top-notch graduates.

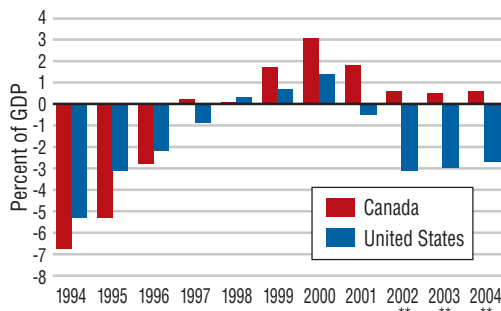
## Economic Stability Is Good for Business. Meet Canada, the Fiscal Rock.

In 1992, the Canadian people committed themselves to deficit reduction that has succeeded beyond the most optimistic forecasts. The federal government has recorded surpluses since 1997. While the U.S. government slipped into a deficit position in 2002, the Canadian government continued to run surpluses. The OECD predicts that Canada will be the only G-7 country to run a surplus through 2003.

Internationally, the highly-respected Institute for Management Development has named Canada the best fiscally managed country in the G-7. Moody's and Standard and Poor's agree: Canada rates the best, their coveted Triple-A.

Policies that have promoted a 20% lower Canadian inflation rate than the U.S. rate over the past five years are paying off: the average cost of living in Canada is 30% lower than it is in the United States. Lower costs mean a better bottom line.

**TOTAL GOVERNMENT SURPLUS\***



\*Includes federal, provincial/state and local.

\*\*Projections.

Source: *OECD Economic Outlook*, December 2002.

“Our research location decisions are made first and foremost on the basis of where good science is located. There is plenty of that in Canada.”

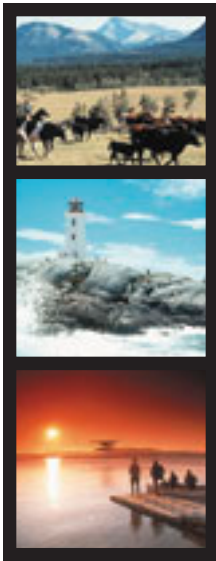
**Gerry McDole**

*President*

ASTRAZENECA CANADA INC.







## We Canadians Are Far Too Modest to Brag About This. But...

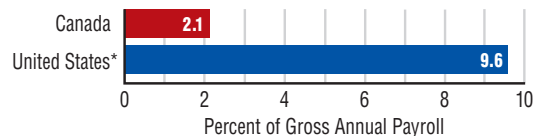
We Canadians think of ourselves as being pretty exciting people, but we confess to being fond of living in a clean, safe and civil society. Current management theory suggests that civility can be as important to firms as their competitive juices. Businesses operate best where team play comes naturally.

After ranking first on the UN Human Development Index for seven straight years, Canada got nipped by Norway and Australia in 2001, then Norway and Sweden in 2002. Nine years, seven first place finishes, two thirds. Not bad. Canada has the lowest G-7 cost of living, and it leads the G-7 as a safe place to live and do business. And Canada is also one of the most reliable places anywhere to do business. In a survey of 90 countries, *The Economist* recently ranked Canada third, after Finland and Sweden, for honesty and reliability in business dealings.

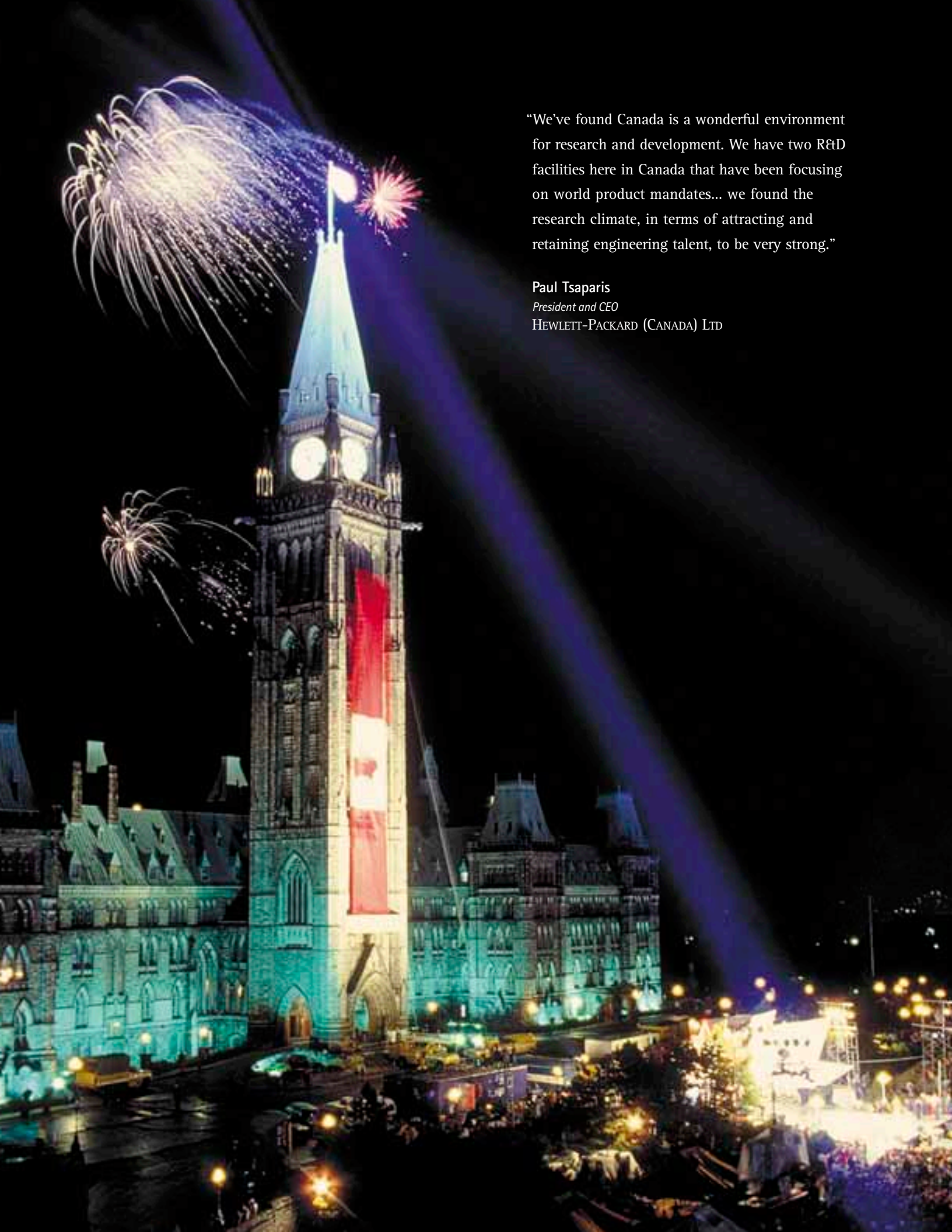
## Canada's Health Care System — Healthy Workers, Healthy Profits.

Canada's national health care system benefits business in two ways. It helps maintain a healthy work force, and it drastically reduces employee benefit costs. In 2002, KPMG studied the comparative cost of statutory benefits plus other employer-sponsored plans. This critical combination of costs was lower in Canada than in any other G-7 country. The contrast with American costs was particularly striking: 25.6% of salaries and wages in Canada compared to 34.2% in the U.S. Because of Canada's national health care system, employer-paid health benefits are about 22% of what they are in the U.S.

### EMPLOYER-SPONSORED HEALTH BENEFITS



\*U.S. value includes payments for retired employees.  
 Source: *Employee Benefits*, 1995, prepared by the Research Center, Economic Policy Division, Chamber of Commerce of the United States and KPMG Management Consulting, 1996.  
 Adapted from KPMG report, *Corporate Taxation and Employee Benefit Cost Guide for Large Service Firms*, prepared for the ICT Branch, Industry Canada, March 2000.



“We’ve found Canada is a wonderful environment for research and development. We have two R&D facilities here in Canada that have been focusing on world product mandates... we found the research climate, in terms of attracting and retaining engineering talent, to be very strong.”

**Paul Tsaparis**

*President and CEO*

HEWLETT-PACKARD (CANADA) LTD





## Canada's Financial Institutions: Banks You Can Bank On.

According to Moody's Financial Strength Ratings, Canadian banks stand first among G-7 countries in creditworthiness. Canada's other financial institutions are equally impressive, offering investment opportunities that are both lucrative and safe. Canada's well-regulated financial institutions – banks, trust companies, cooperatives, insurance companies and stock exchanges – have demonstrated a stability and competitiveness that has made their services popular around the world. The sector has become one of Canada's major export earners since world-wide liberalization of financial regulations.

Both these domestic institutions and Canadian-based international institutions have helped stimulate the growth of venture capital in Canada in recent years, which has been crucial to the growth of many high-tech ventures. As Canada entered the new century, the amount of venture capital under Canadian management had climbed to \$12 billion. That was double the 1995 level and is rising quickly.

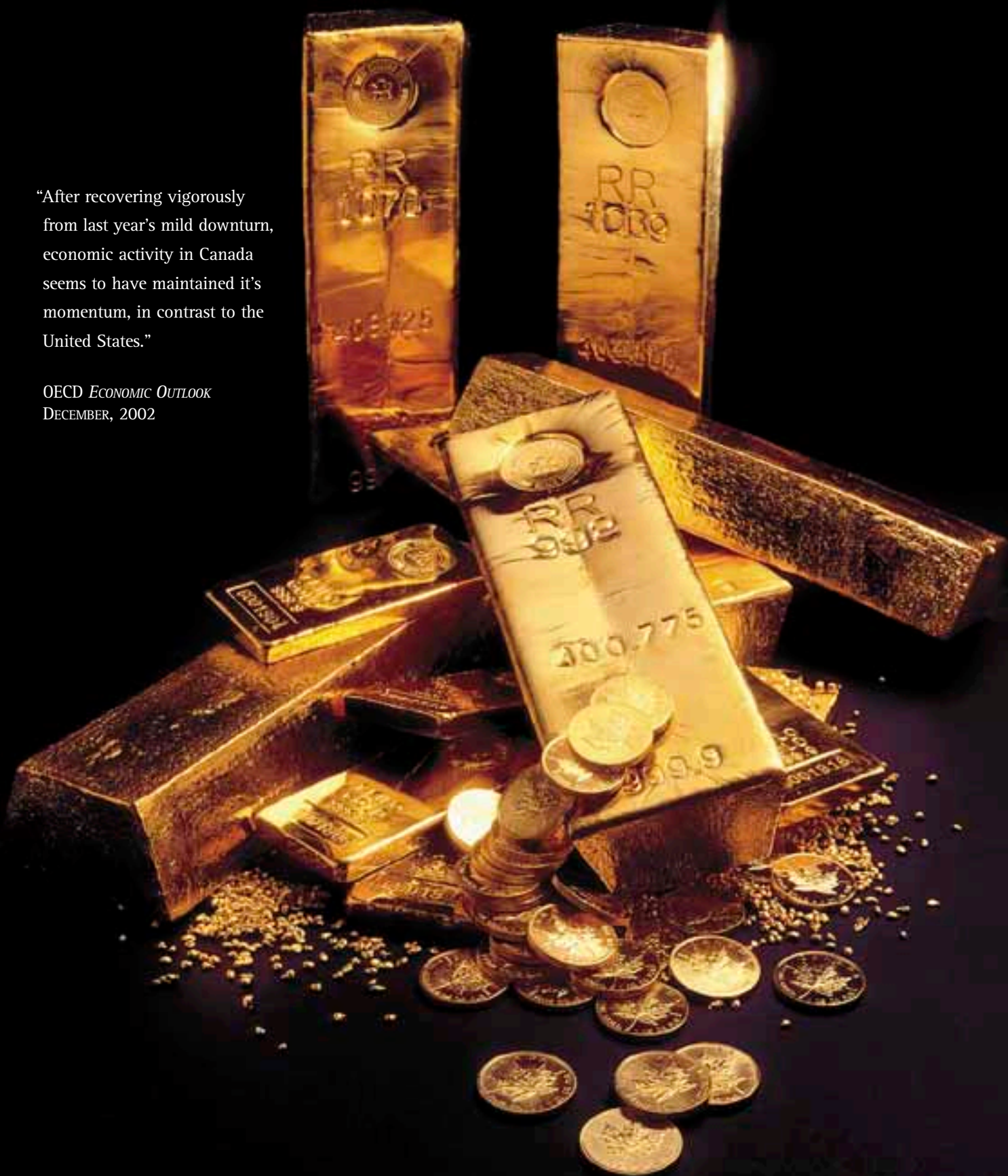
Canada's Export Development Corporation (EDC) provides trade finance and risk management services to Canadian exporters and foreign investors, including loans to foreign buyers, accounts receivable insurance to protect against non-payment, as well as other types of financing products. EDC supported more than \$50 billion in foreign sales and investment during 2002.

## Lawyers Love Courtrooms; Entrepreneurs Don't.

Corporations face a far lower threat of lawsuits and other legal costs in Canada than in the United States. The 1999 *Global Competitiveness Report* ranked the United States highest and Canada second lowest of all countries surveyed in litigation costs based on duration of process and attorneys' fees. While that category was not measured in the 2001-2002 report, the litigation cost gap between the two countries remains huge. Both countries have healthy judicial systems, but Canadians have tended to be less litigious, which can save companies money. Canadian lawyers do not sue on commission.

“After recovering vigorously from last year’s mild downturn, economic activity in Canada seems to have maintained its momentum, in contrast to the United States.”

OECD *Economic Outlook*  
DECEMBER, 2002







## Wired or Wireless, Canada Connects.

Canadians use the Internet more than any other nationality, and Canada boasts the highest-speed research network in the world. CANARIE, Canada's advanced Internet development organization, built and operates CA\*Net4, the longest, fastest and most advanced fibre-optic research and education network in the world.

Government, industry and educational institutions use it to test advanced Internet applications, such as distance learning, telemedicine, bioinformatics, virtual reality modelling and real-time multimedia streaming, often in collaboration with foreign research and education networks.

Canada's Broadband Applications and Demonstration Laboratory helps develop integrated communications systems comprising fibre optics, satellite communications and radio. It allows for the demonstration and testing of new broadband applications and services through a variety of telecommunications networks across Canada and around the world.

## Telecom Smarts Make Vast Canada Dynamic Canada.

Canadians are great innovators and producers of telecommunications and software equipment. Canada's traditional strengths in public network equipment (such as high capacity broadband switches and network management applications) have been augmented by emerging capabilities in enterprise equipment (including DWDM and ATM), and optical and wireless equipment manufacturing. Canada has also become globally competitive in SONET and DWDM technology, particularly in relation to network management and testing equipment.

Well-known Canadian-based communications equipment suppliers like Nortel, JDS Uniphase, Alcatel and Mitel have taken advantage of Canada's proven cost advantage over the U.S. in the production of telecommunications equipment. Canada not only provides the supportive infrastructure and business environment that encourage such production, but also the necessary cadre of competitive microelectronics, network design, component and sub-system suppliers.

“The prime reason we are in Canada  
is for the engineering talent.”

**Andrew Sage**  
*Marketing Director*  
CISCO SYSTEMS CANADA







## Canada: Never Has a Country Been Blessed With So Much Energy.

Canada's human energy is matched by the country's natural energy. A bounty of energy resources supports the country's growing industrial success. The 2002 KPMG survey of business costs in North America, Europe and Japan found that annual electricity costs for a typical manufacturer are almost a third lower in Canada than in the United States.

Energy demands technology. Canadians are leading innovators in designing systems that generate and distribute power, and Canada is home to some of the largest and most complex electrical projects in the world, including James Bay and Niagara Falls. The industry has developed niche solutions in areas such as shortening lead times, standardizing products, making product offerings more flexible and strengthening support services.

## They Come, They See, They Expand.

Foreign direct investment in Canada has more than doubled since 1990. Much of this investment has come from the United States, where entrepreneurs can observe Canadian advantages at close hand. In 2001, more than two thirds of foreign direct investment in Canada came from the United States. American investors like what they see. But new investors are coming from all over the world. A few examples:

- In 1990, Ericsson Communications gave its Canadian division the firm's world R&D mandate in response to generous Canadian R&D tax write-offs and a great network of first-rate universities. That mandate created 205 jobs. More than a decade later, the job total exceeds 1,800 and is climbing rapidly.
- Honda Motors set up in Canada in the 1980s with a \$350-million investment, creating 1,500 jobs. That investment has grown to \$1.3 billion. Honda now employs more than 4,200 Canadians.



“In Canada, the economy has rebounded faster than in any other G-7 country, underpinned by the near completion of the inventory correction, robust consumer spending, and the recent rebound in investment... Economic indicators continue to point to strong growth in the period ahead...”

IMF *WORLD ECONOMIC OUTLOOK*  
SEPTEMBER, 2002





## Canada's Tech-Based GDP Boom — Even a Global Slowdown Can't Stop It.

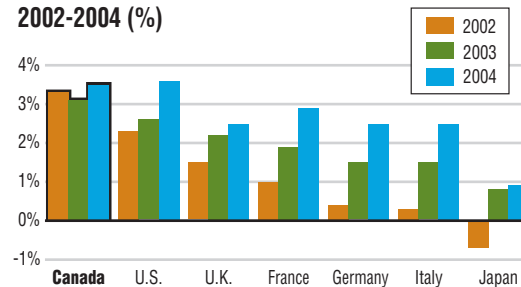
In the first two years of this century, the Canadian and American economies grew almost in tandem at a record pace, before the U.S. economy slowed in 2002. In the second quarter of 2002, Canadian real GDP grew by 4.3%, while U.S. GDP fell by 1.1%. In fact, Canadian GDP growth had outstripped U.S. growth for seven of the eight previous quarters. Canada's real GDP had increased in every quarter except one for six straight years.

Canada's surge has been much more tech-driven than resource-driven. During Canada's growth spurt, "new economy" industries have been growing at a double-digit rate, compared to single-digit growth in the rest of the economy.

The image of Canada as a country rich in resources is part of our country's proud heritage, and those resources continue to account for a significant portion of Canadian economic output. But Canada would not be outgrowing other sophisticated economies if it still depended primarily on its resource base.

Canada's global economic breakthrough has been sparked by meshing a well-educated population with advanced technology to stimulate first-class R&D and quality production. At reasonable costs. The formula is simple enough. It just takes a very special country to pull it off.

**REAL GDP GROWTH PROJECTIONS  
2002-2004 (%)**



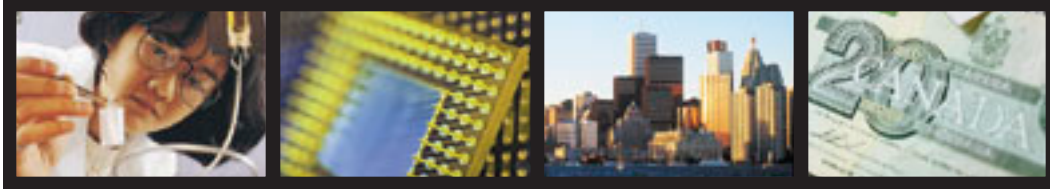
Source: OECD Economic Outlook, December 2002.



“Canadians are well known and respected around the world for developing advanced technology and also for having good business and trade practices.”

Chris Piché  
*Chairman*  
EYEBALL NETWORKS INC.  
VANCOUVER





## Why Invest in Canada?

People + Technology + Markets = Profits

Most competitive countries spew out promotional material bragging that they are the best place in the world to invest. To make that claim, they are often forced to exaggerate here and there. We haven't done that. We are definitely not asking you to commit yourself to Canada on the basis of a booklet. We are asking you to update your image of Canada.

We are asking you to check the facts on access to huge markets, availability of superior workers, lower costs and all the rest. The American economy is known as the world's most awesome production and consumption dynamo. And it is. But the Canadian economy, under NAFTA, is growing in tandem with the U.S. economy. The difference is that it currently has production advantages that the U.S. economy lacks. These advantages are worth examining.

Think about it. Something must be going very right for the Canadian economy to be growing at such a breathtaking rate. Canada's domestic market is 32 million consumers – nice, but not huge. What is huge is Canada's capacity to produce exports that clearly sell in the toughest marketplace in the world. Exports that produce handsome profits for those who invest here.

Canadians welcome the kind of foreign investment that produces jobs and injects new technology into our economy. As it does this, it rewards the investor. Often handsomely. This is known as a win-win situation.





“Canada is a hotbed for new technologies, with an advanced communications infrastructure and Net-savvy population that makes it a leading competitor in the new economy.”

Michael Dell  
*President*  
DELL COMPUTERS



---

<http://investincanada.gc.ca>

PHOTO CREDITS:

National Research Council Canada, Harry Turner – Cover, pages 4, 5, 8, 9, 14, 27, 28, 29 and 30

Natural Resources Canada – pages 11, 12, 25 and 26

Agriculture and Agri-Food Canada – page 14

Nortel Networks – pages 18 and 19

Toronto Stock Exchange – page 22

Royal Canadian Mint – page 23

This publication is also available electronically on the World Wide Web at the following address:  
<http://investincanada.gc.ca>

This publication can be made available in alternative formats upon request.

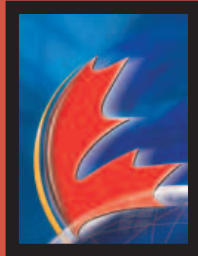
**Permission to reproduce.** Except as otherwise specifically noted, the information in this publication may be reproduced, in part or in whole and by any means, without charge or further permission from Industry Canada, provided that due diligence is exercised in ensuring the accuracy of the information reproduced; that Industry Canada is identified as the source institution; and that the reproduction is not represented as an official version of the information reproduced, nor as having been made in affiliation with, or with the endorsement of, Industry Canada.

For permission to reproduce the information in this publication for commercial redistribution, please e-mail:  
[copyright.droitdauteur@pwgsc.gc.ca](mailto:copyright.droitdauteur@pwgsc.gc.ca)

Cat. No. C2-545/2003E  
ISBN 0-662-33452-3

Aussi disponible en français sous le titre *Secrets gagnants du Canada*





## Investment Partnerships Canada

Investment Partnerships Canada (IPC) is your one-stop centre for investment services in Canada. Our job is to make your assessment of investment opportunities easier and more reliable. We can help you make the business case for world product mandates using our sophisticated financial-analysis tools, compare city-based sites worldwide, gather information on incentives, regulations, transportation and taxation, and arrange introductions to key government and private sector contacts.

With representatives in Canadian diplomatic missions around the world, and direct access to investment consultants at national, provincial and municipal levels within Canada, IPC is well positioned to assist in all of your key investment decisions and analysis.

<http://investincanada.gc.ca>

Please contact your local Canadian Embassy,  
High Commission or Consulate,  
or write to us at:

**Investment Partnerships Canada**

235 Queen St., 6th Floor, Ottawa ON Canada K1A 0H5

Tel: (613) 954-5031 Fax: (613) 954-2340

E-mail: [invest.canada@ic.gc.ca](mailto:invest.canada@ic.gc.ca)



