



Canada's Winning Secrets

PEOPLE + TECHNOLOGY + MARKETS = PROFITS



Government
of Canada

Gouvernement
du Canada

Canada

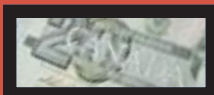
World Trade Magazine Has Ranked Canada in the World's Top 3 for Investment and Trade Opportunities Each and Every Year of This Exciting New Century.

WHY ARE WE SO HIGHLY REGARDED?



Because Canada has a number of winning advantages that are not nearly well-enough known around the world. If you are looking for an edge against competitors in the cutthroat North American marketplace, *Canada's Winning Secrets* will give you one.

CANADA IS...



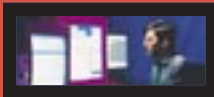
A STONE'S THROW AWAY FROM PROFITS

Canadians are closer to prime U.S. markets than many U.S. producers.



SURROUNDED BY VIBRANT AND ACCESSIBLE MARKETS

NAFTA makes North America one huge market of 400+ million spenders.



HOME TO A CEREBRAL WORK FORCE

Canada has a well-educated, more loyal, better priced work force.



NURTURED BY BAREBONES BUSINESS COSTS

Canada has the lowest business costs in the G-7. Across the board.



WITHIN AN ENERGETIC AND WELCOMING INFRASTRUCTURE

Canadian governments have learned that entrepreneurs need stroking.



A Stone's Throw Away...

Of Canada's 20 largest cities, 17 are within an hour-and-a-half's drive of the United States. Several, like Vancouver, Windsor and Montréal, are minutes away.

Canada and the United States mesh better than any two economies in the world. Production locations in the industrial heartlands of Ontario and Quebec are often closer to huge American markets around New York, Boston, and Chicago than U.S. production hubs like Atlanta and Raleigh. Efficient trucking and air services focus on just-in-time delivery. Many large North American firms have integrated Canadian and American production facilities.

...From Vibrant, Accessible Markets.

In 1993, NAFTA intertwined the Canadian and U.S. economies for nearly all business purposes. Canadian-based producers have access to more than 400 million consumers with a combined GDP of more than US\$11.4 trillion. Canada's own economy has been growing at an astonishing rate and the country's 32 million consumers constitute a lucrative market in themselves. But it is the voracious U.S. marketplace, home to nearly 300 million consumers, that gives Canadian-based companies such a distinct advantage over companies based in countries outside North America. Canada is the U.S.A.'s largest trading partner for good reason.

Canada has held a balance-of-trade surplus with the U.S. in recent years, even in many high-tech fields such as telecommunications. In 2002, more than two thirds of Canada's exports were machinery, electronic equipment and other high-value-added products.

Success in lucrative U.S. markets separates winners from losers in the global marketplace. Canadian-based companies are proving themselves winners, over and over again.





Cerebral Work Force.

KNOWLEDGE WORKERS: Nearly half of Canadians over the age of 25 have post-secondary education, either at university, college or technical school, giving Canada the highest rate of post-secondary enrolment in the world. The last *Global Competitiveness Report* ranked Canada first in the world at developing knowledge workers.

Canadian universities and colleges are world class. The 10th edition of the *Gourman Report*, produced by American analysts, rated all North American university-level electrical engineering programs. Of the exalted top forty, eighteen were Canadian.

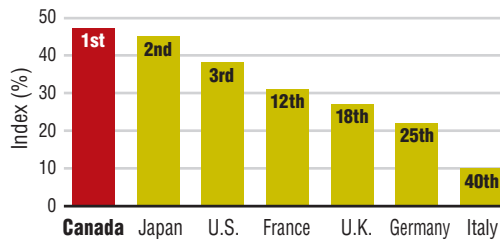
AVAILABILITY: Canada's graduation rate for post-secondary students is exceedingly high. In addition, Canada welcomes well-educated workers from abroad. As a result, Canada does not suffer the degree of scarcity of qualified workers that some countries do. With priority given to high-skill workers, Canada's recent immigration levels have been double those of the U.S.

LOYALTY: Canadian labour turnover rates are half the U.S. rates, resulting in labour cost savings of 7-10% in this area alone.

COST: A 2002 KPMG study put the cost of Canadian technical and professional workers at less than 70% of the cost of U.S. workers. Canada's overall work force costs were the lowest of nine North American, European and Asian countries surveyed.

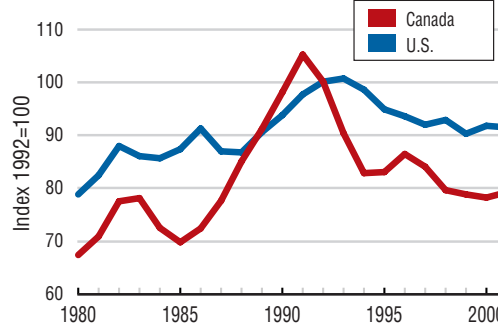
WORLD TEAMWORK: Canada is the best place to pull together worldwide research or production teams quickly. Fast-track immigration is enabled for key employees. High-tech workers do not have to acquire special employment validation. Work visas for key workers and their families can usually be obtained within days.

HIGHER EDUCATION ACHIEVEMENT* WORLD RANK



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

MANUFACTURING UNIT LABOUR COST INDEX US\$ BASIS



Source: U.S. Department of Labor, Bureau of Labor Statistics, September 26, 2002.





Barebones Business Costs.

The *cost of living* is considerably lower in Canada than it is in the United States. That may be of interest to families moving to Canada. Of much more interest is the fact that the *cost of doing business* is considerably lower in Canada than it is in the United States. Canadian wages and salaries are lower, but so are Canadian costs in such categories as construction, land, rentals, communications, transportation, energy and even corporate taxes.

A 2002 KPMG study demonstrated that Canada offers by far the lowest business costs of nine countries surveyed in North America, Europe and Japan. This study examined more than 30,000 cost items incurred by small and medium-sized enterprises setting up and operating in the fields of electronics, software, metal components, food processing, pharmaceuticals, plastics, specialty chemicals, precision components, shared services, biomedical R&D and electronic systems development. It was conducted in more than 85 cities. Lowest-cost U.S. locations were used for comparisons.

Canada's production costs proved to be 14.5% lower than those in the United States. In high-tech sectors, the difference was even greater. 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-Tax Canada? Hard to Believe? KPMG Doesn't Lie.

The Canadian government imposes the lowest burden of payroll taxes in the G-7, which naturally lowers our overall corporate tax rate. 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's ranked second highest. *This is not a misprint.*

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.



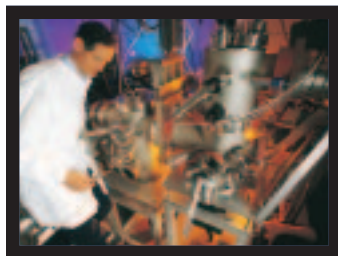
NATIONAL RESULTS BY INDUSTRY AND BUSINESS OPERATION (U.S. = 100.0)

Industry	Operations Modeled	Canada	U.S.	Austria	France	Germany	Italy	Netherlands	U.K.	Japan
Auto Parts¹	Weighted Average	89.0	100.0	91.5	91.7	101.6	87.8	89.4	87.0	121.9
	Metal Components (75%)	88.9	100.0	91.1	91.3	101.3	87.4	89.0	86.6	122.0
	Plastic Components (15%)	89.0	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
	Electronic Subassemblies (10%)	89.4	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
Aerospace¹	Weighted Average	87.8	100.0	93.0	92.3	103.6	87.4	90.6	87.2	119.8
	Precision Parts (45%)	86.0	100.0	91.2	89.8	102.7	83.9	87.5	83.9	117.5
	Electronic Subassemblies (40%)	89.4	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
	Plastic Components (15%)	89.0	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
Medical Devices²		90.6	100.0	95.8	95.2	104.5	92.0	94.3	90.0	118.6
Manufacturing³										
Building Products (Hardware)	Metal Components	88.9	100.0	91.1	91.3	101.3	87.4	89.0	86.6	122.0
Plastics	Plastic Products	89.0	100.0	90.9	91.1	100.4	87.9	87.9	86.4	121.7
Agri-Food	Food Processing	92.5	100.0	93.4	94.4	99.5	91.3	92.1	90.9	109.6
Telecom & Electronics Equipment	Electronics Assembly	89.4	100.0	95.7	95.5	105.9	91.1	95.0	91.1	121.6
Precision Manufacturing	Precision Components	86.0	100.0	91.2	89.8	102.7	83.9	87.5	83.9	117.5
Pharmaceuticals	Pharmaceutical Products	90.9	100.0	95.4	95.3	103.2	91.9	94.4	90.7	115.0
Chemicals	Specialty Chemicals	89.6	100.0	95.2	95.5	103.2	92.6	95.3	92.4	111.4
R&D³										
Laboratory Research	Biomedical R&D	72.2	100.0	84.1	82.0	97.8	80.4	82.0	78.7	124.5
Product Testing	Electronic Systems Dev't/Testing	66.9	100.0	81.4	75.2	88.8	74.3	74.8	71.0	114.3
Software³										
Software Design	Advanced Software	77.8	100.0	93.9	91.5	99.6	89.1	90.1	82.0	108.8
Web Development	Content Development	77.6	100.0	96.6	87.1	97.1	85.4	87.6	80.7	115.6
Corporate Services³										
Corporate Services	Shared Services Center	80.3	100.0	111.8	104.2	123.4	91.6	100.9	90.0	154.2

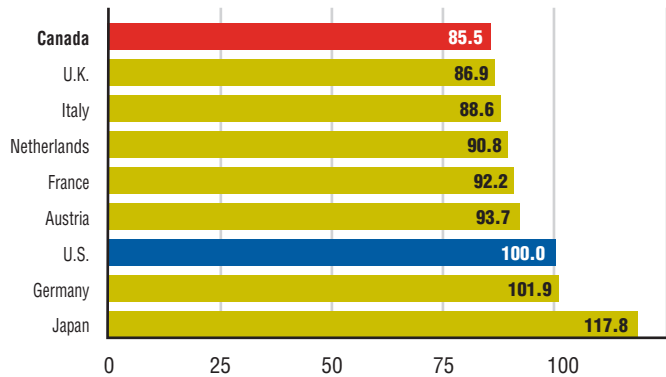
¹ Due to the more complex nature of these industries, results are calculated based on composite results for multiple operations as indicated. While weightings are based on industry research, different approaches may give different weightings and cause results to differ. As these industry results are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

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

³ Industries represented by a single operation.

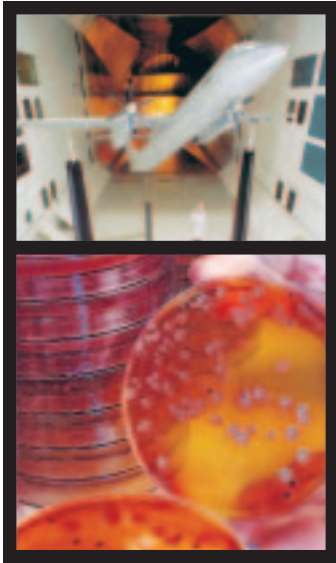


COMPARISON OF ANNUAL BUSINESS COSTS*
Overall, 12-business operation average (U.S.=100.0)



*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.





Canada's Welcoming Infrastructure.

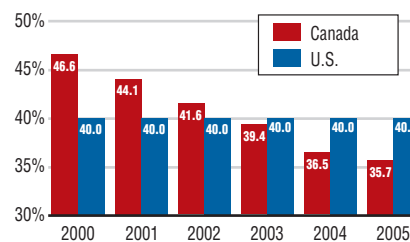
AN ECONOMY BUILT FOR ENTREPRENEURS: Although the Institute for Management Development named Canada the best fiscally-managed country in the G-7 in 2000, fiscal restraint is only part of the story. Canada has undergone an entrepreneurial revolution over the past decade. The country has retooled to embrace globalization and the knowledge economy. Canada now ranks consistently among the top 10 countries for competitiveness. It was second only to the U.S.A. in a recent study by the *Global Entrepreneurship Monitor* ranking countries' vitality of entrepreneurial activity.

BOOSTING ENTERPRISE: When the Canadian government does spend, the business community almost always benefits. The government recently reinvested heavily in Canada's national health care system, which dramatically reduces employers' costs. To encourage entrepreneurs to take advantage of the country's superb system of universities, colleges and research institutes, Canada offers the most generous R&D tax write-offs in the G-7. Any dollar a company spends on R&D really costs between 41¢ and 51¢. Several initiatives have been launched to upgrade R&D capacity, including the Canada Foundation for Innovation and Genome Canada. These and other institutions are stimulating continuous research at Canadian schools and hospitals.

CONNECTING WITH A PASSION: Canadians are passionate users of the Net, and their government is committed to making Canada the most connected nation in the world. Canada boasts CA*Net 4, the longest, fastest and most advanced fibre-optic research and education network anywhere. It tests advanced Internet applications, such as distance learning, telemedicine, bioinformatics, virtual reality modelling and real-time multimedia streaming, often in collaboration with foreign research networks.

TAX RESTRAINT: Canadian income taxes, traditionally middle-of-the-road in comparison to other G-7 countries, are shrinking. In early 2001, the federal government implemented a \$100 billion tax cut package. By 2006, Canadian-based firms will average a corporate tax 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.

CORPORATE INCOME TAX RATES (including capital tax equivalents)



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





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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.

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