

CANADA – A SECURE ENVIRONMENT FOR BUSINESS

FDI

Hendrik Taulin

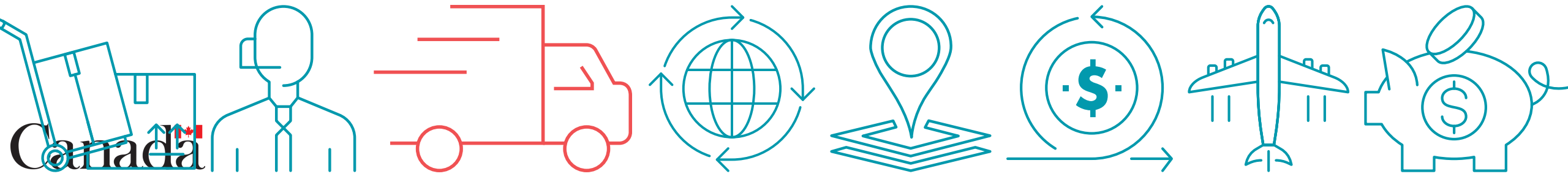
**Regional Lead Foreign Direct
Investment Central and
Eastern Europe**

Embassy of Canada
Germany

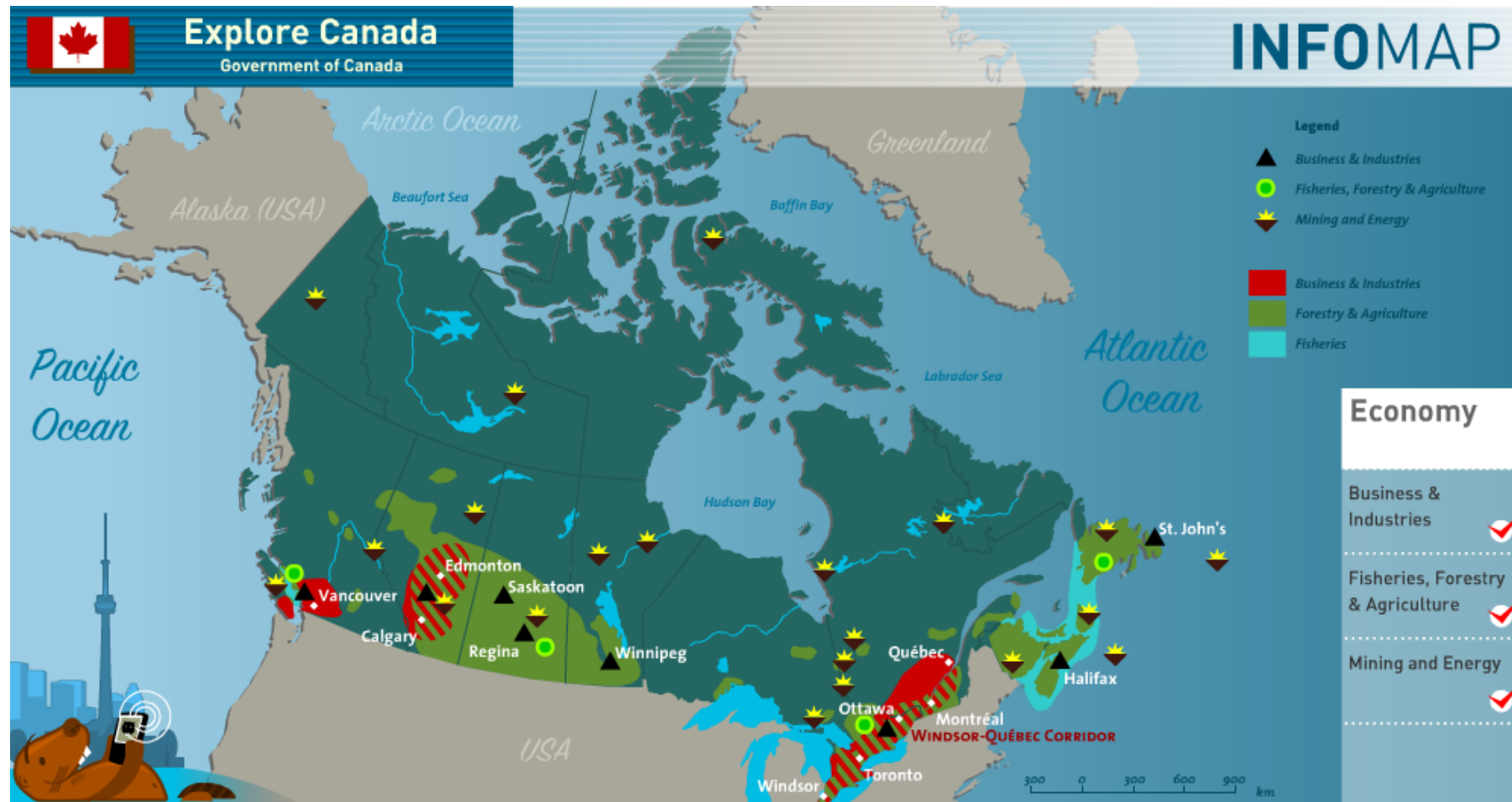
Riga, May 26, 2022



CANADA – ECONOMIC GEOGRAPHY

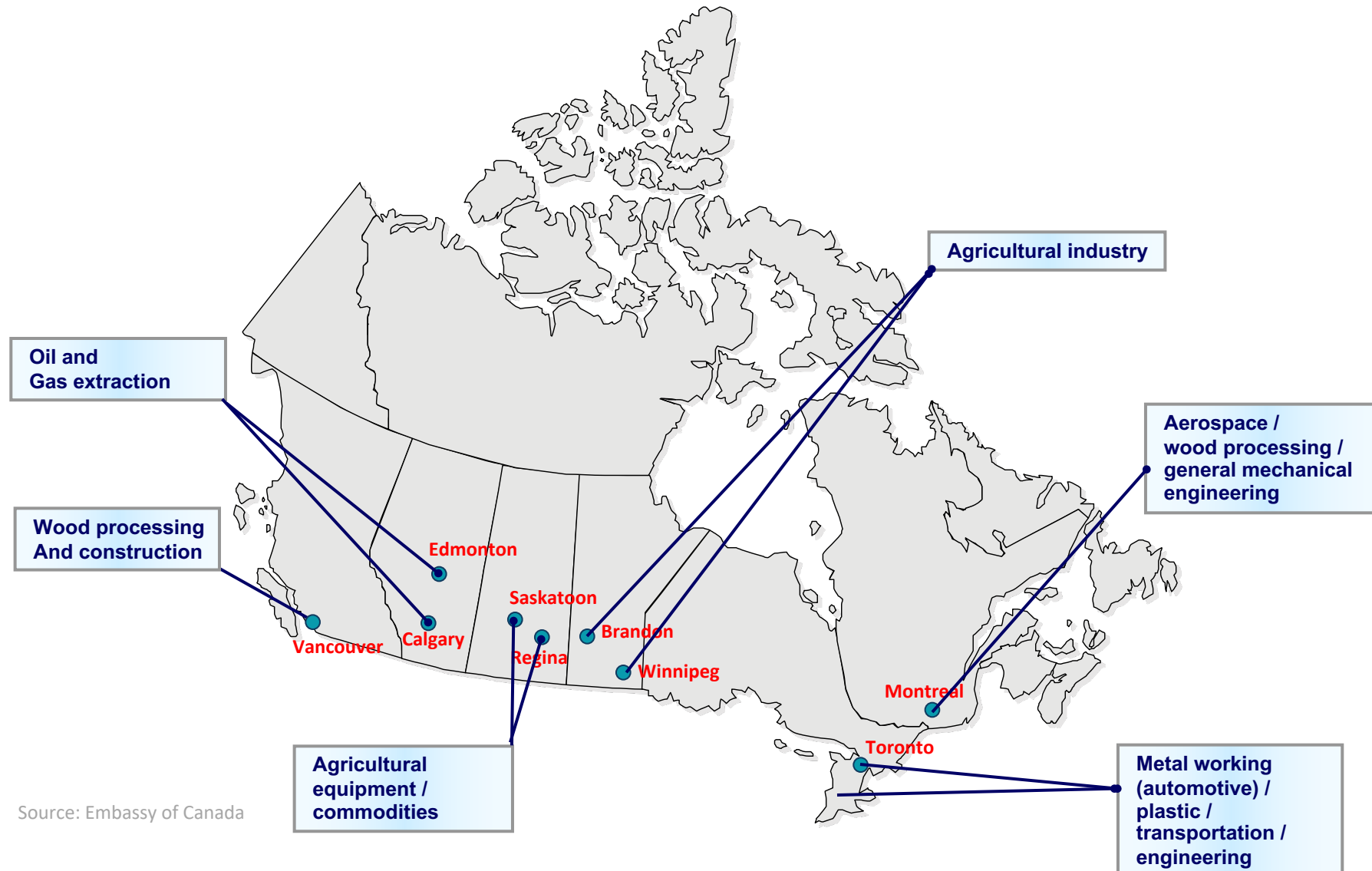


CANADA'S ECONOMIC GEOGRAPHY



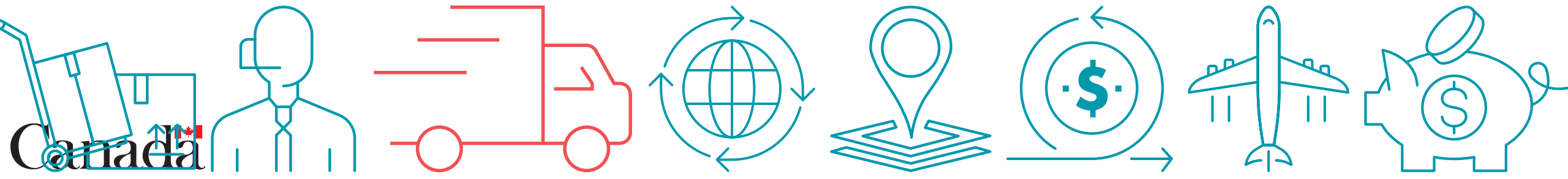
Source: Embassy of Canada

CANADA'S ECONOMIC GEOGRAPHY



Source: Embassy of Canada

CANADA - EXCELLENT ECONOMIC ENVIRONMENT

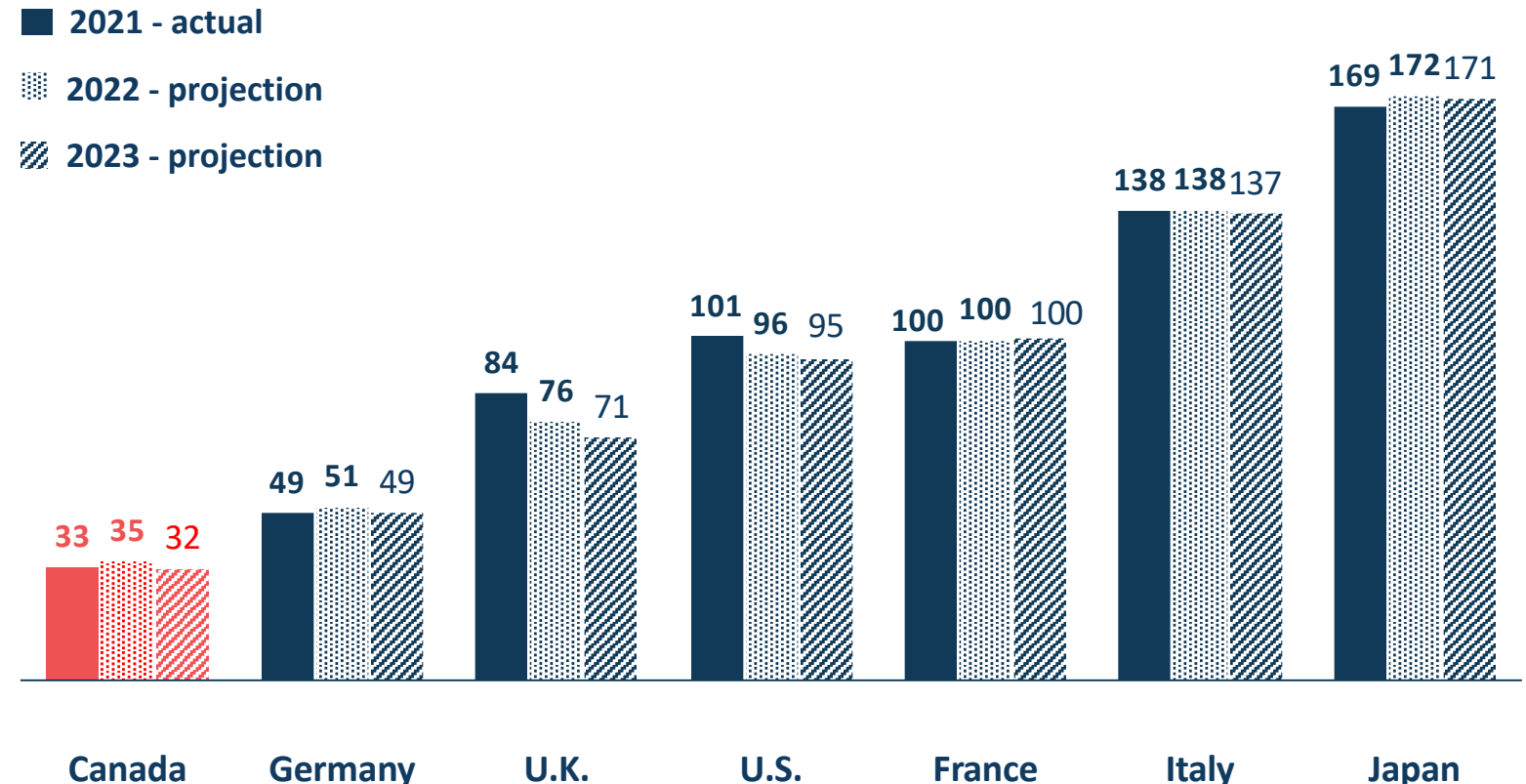


CANADA HAS THE LOWEST NET DEBT IN THE G7...

Canada has a strong fiscal position

- It has held the lowest net debt position in G7 for over 15 years
- Despite extraordinary spending in 2020 and 2021, Canada is expected to have the lowest net debt to GDP ratio of G7 in 2022 and 2023
- Budget 2022 focuses away from broad-based COVID-19 expenditures towards targeted investments on Canada's economic capacity and prosperity

General Government Net Debt (G7 countries)



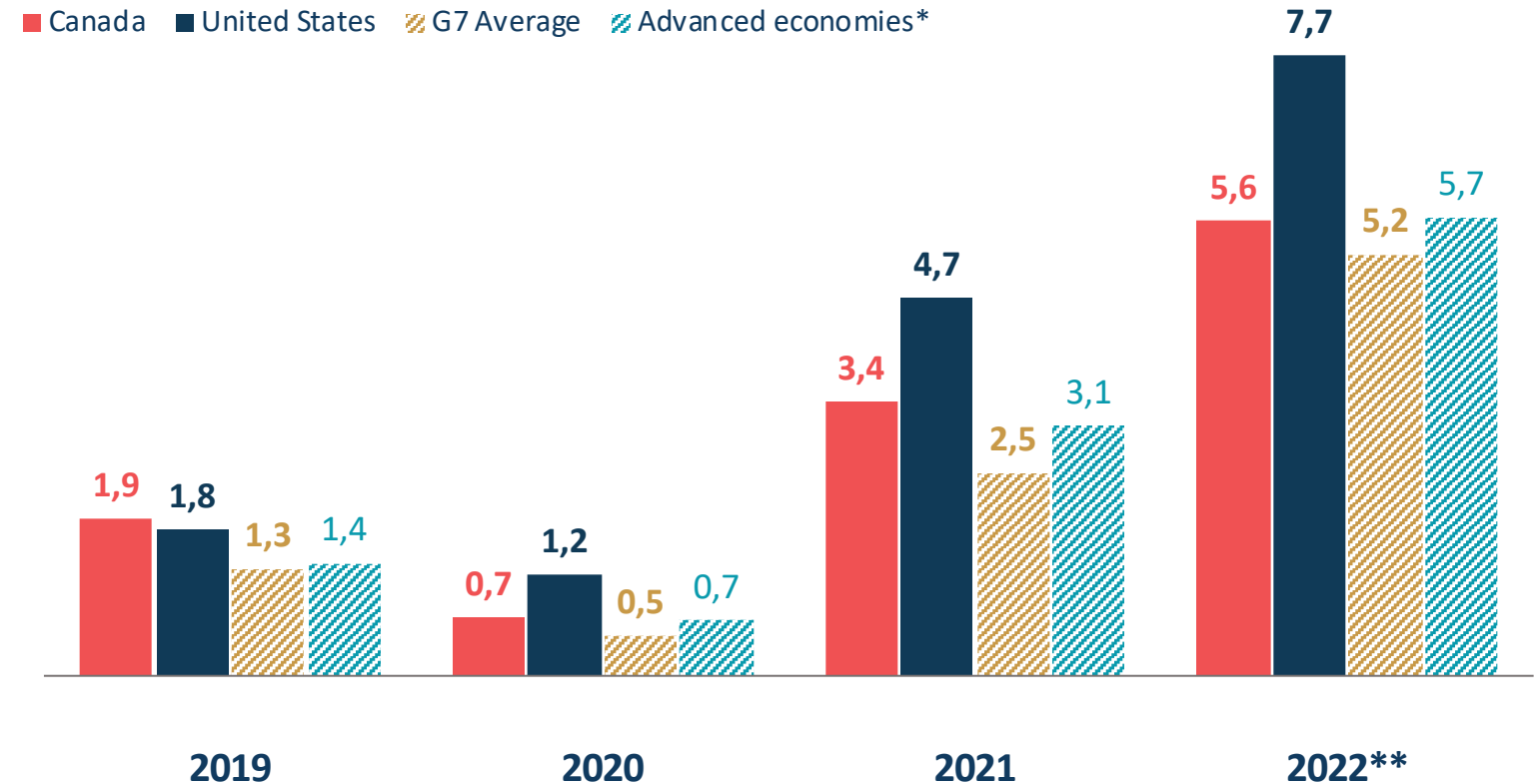
NOTE : General government net debt includes net debt of central, state and local governments.
Source: IMF, World Economic Outlook, April 2022; Finance Canada, Budget 2022.

... A RELATIVE LOW INFLATION COMPARED TO UNITED STATES DESPITE THE RISING OF CONSUMER PRICES

Bank of Canada increased interest rate from 0.5 to 1.0%

- As of March 2022, inflation reached 6.7%, well below the rate in the U.S. of 8.5%¹
- In response to ongoing inflation, Bank of Canada raised its interest rate from 0.5 to 1.0%²
- In 2022, inflation in Canada is expected to be more than 2 percentage points below U.S. and on par with other advanced economies

Inflation (Year-Over-Year % Change)



¹ Statistics Canada and U.S. Bureau of Labor Statistics; ² Bank of Canada, [Monetary Policy Report - April 2022](#)

* Please refer to the IMF to find out what countries are included in the 'advanced economies' grouping: <https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/groups.htm>

** IMF Forecast

Sources: IMF, World Economic Outlook, April 2022

CANADA HAS A RELATIVELY LOW CORPORATE INCOME TAX RATE

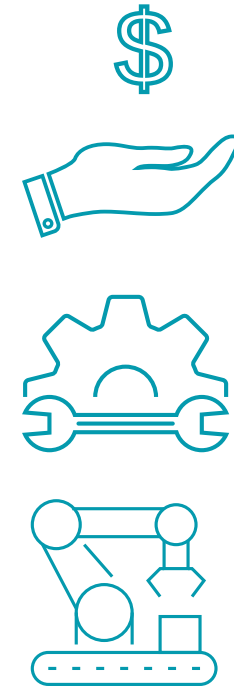
Canada:

- Imports of inputs and machinery for manufacturing enter Canada duty free.
- Full tax deduction in first year for cost machinery and equipment for goods manufacturing
- The Accelerated Investment Incentive enables businesses to recover initial costs for capital investment quickly

Statutory General Corporate Income Tax Rates in G7 and OECD average* (%), 2021

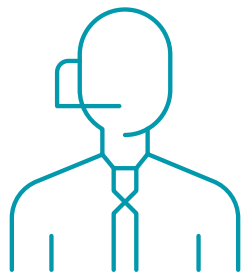


U.K = 19.0
OECD = 23.2
U.S = 25.8
Canada = 26.2
Italy = 27.8
France = 28.4
Germany = 29.9
Japan = 29.7



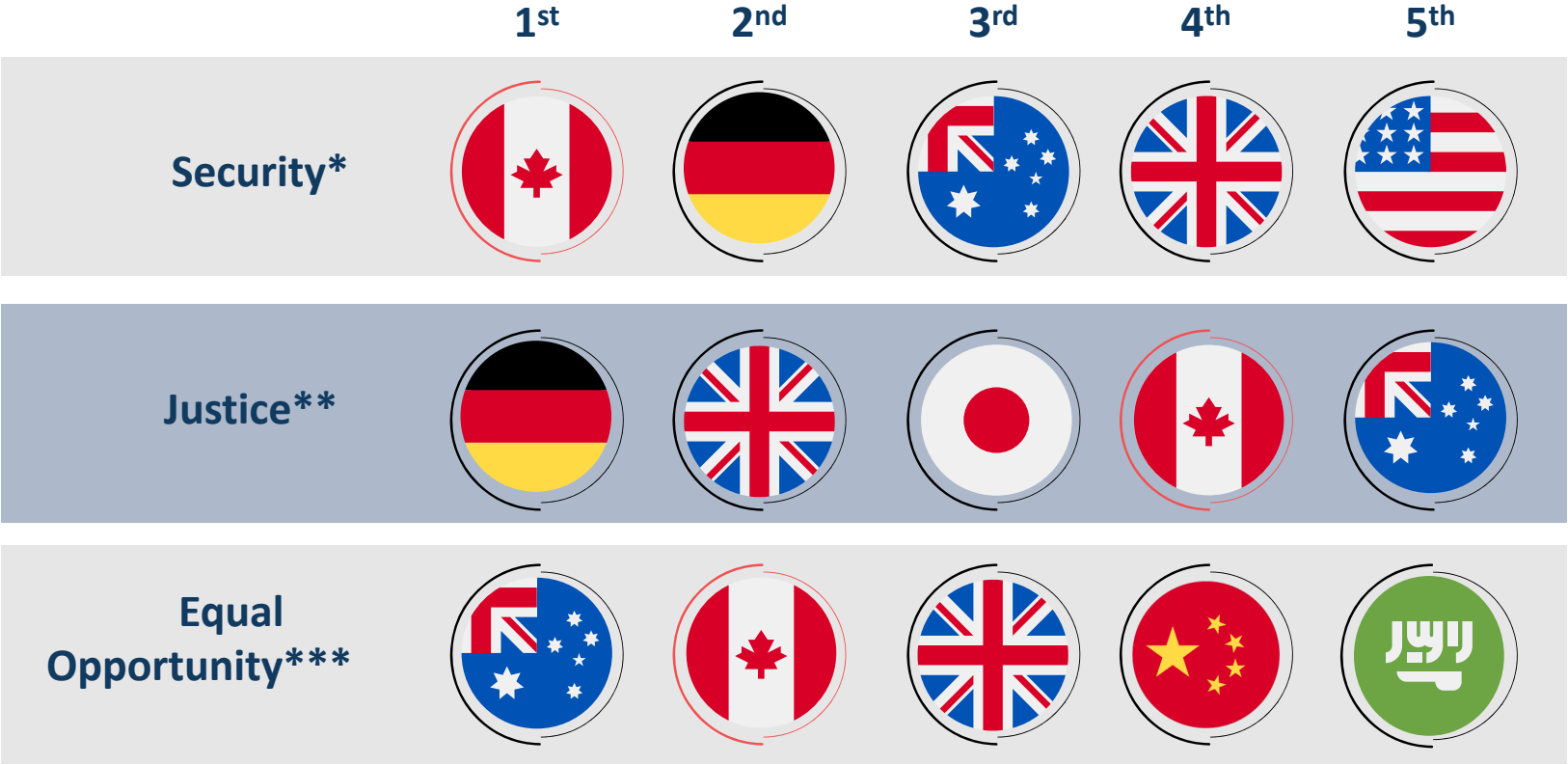
* OECD average does not include Columbia.
Sources : OECD database and Finance Canada – Budget 2022.

CANADA – RELIABLE POLITICAL INSTITUTIONS



CANADA IS ALSO A SAFE AND JUST SOCIETY AND A LAND OF EQUAL OPPORTUNITY...

Top Five G20 Countries



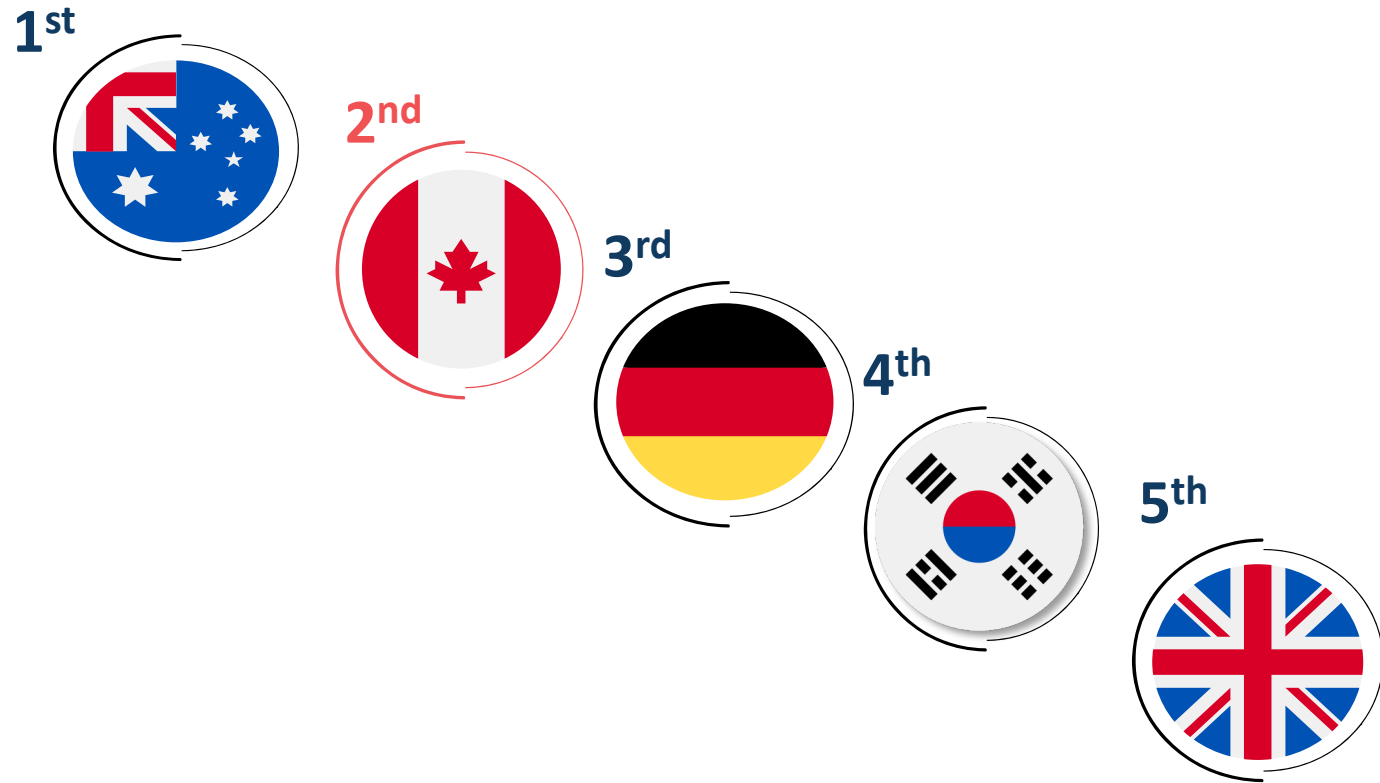
*Confidence that person and property are protected.
 **Degree of fairness of the judicial system in society.
 ***Equal opportunity legislation in an economy that encourages economic development.
 Source: IMD *World Competitiveness Yearbook*, 2021; rank among 64 economies.

... AND ONE OF THE BEST COUNTRIES IN THE G20 FOR ECONOMIC FREEDOM...

2022 Index of Economic Freedom of top G20 Countries

The most free economic countries

- Canada ranked 2nd among G20 countries and 15th among 177 countries with the most free economic*

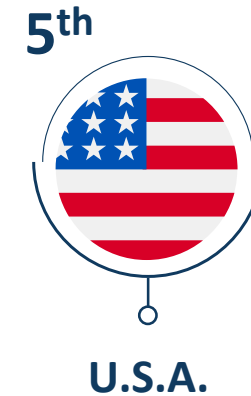


Source: Heritage Foundation – Index of Economic Freedom, 2022. The ranking includes 177 countries.

* Economic freedom is measured on the basis on 12 quantitative and qualitative factors, grouped into four broad categories, or pillars, of economic freedom : Rule of Law (property rights, government integrity, judicial effectiveness), Government Size (government spending, tax burden, fiscal health), Regulatory Efficiency (business freedom, labor freedom, monetary freedom) and Open Markets (trade freedom, investment freedom, financial freedom)

CANADA HAS SOUND FINANCIAL INSTITUTIONS...

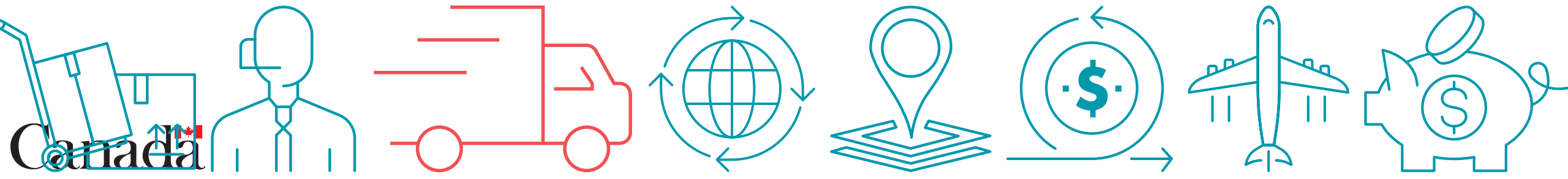
Soundness of Banks (rank) Top G20 Countries



Canada's banking system is sound and safe

- 6th out of 141 countries*
- 7 of Canada's banks are among the world's top 50 safest commercial banks**

CANADA – BEST CONDITIONS TO DO BUSINESS

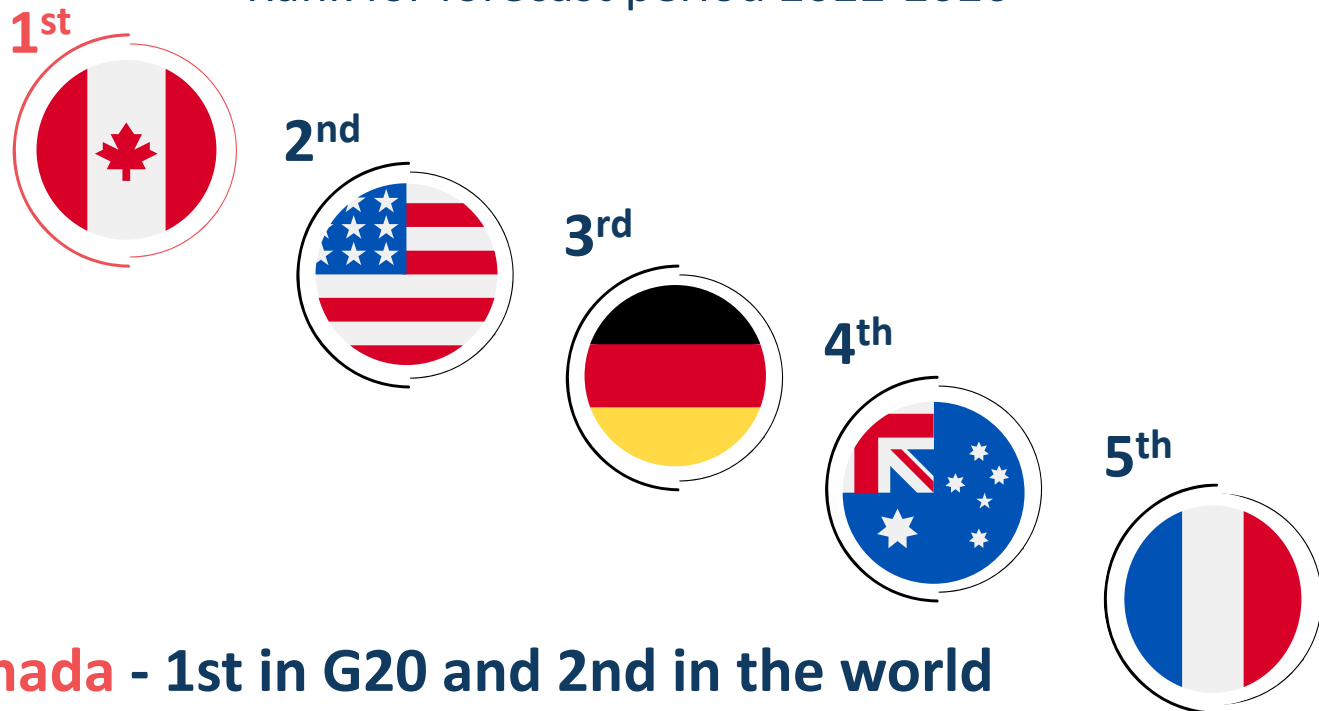


CANADA IS ONE OF THE BEST COUNTRIES IN THE G20 FOR DOING BUSINESS...

Favourable Business Environment, top G20 countries
Rank for forecast period 2022-2026*

Canada's business environment is simple to navigate

- As per the *Global Business Complexity Index*, Canada ranked 4th among G20 countries with the least complex jurisdiction for conducting business**



Canada - 1st in G20 and 2nd in the world
Among top 3 in the world for over 15 years

Source: The Economist Intelligence Unit, March 2022. The ranking includes 82 countries.

* [Business environment rankings](#) are based on policies related to competition, private enterprise, foreign investment, trade and exchange controls, taxes financing, the labour market, infrastructure and technological readiness. Note: The forecast period for the ranking of USA is 2021-2025

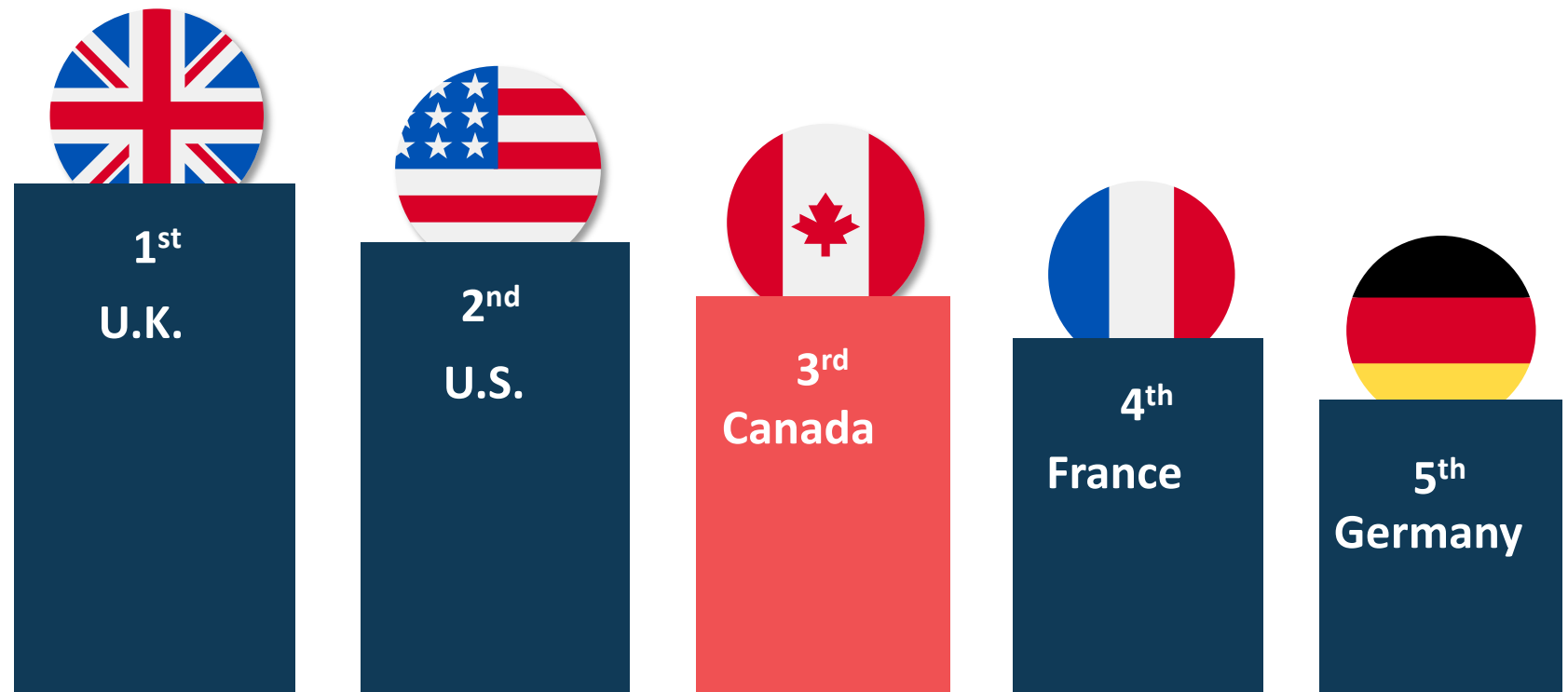
** The TMF Group's *Global Business Complexity Index* examines differences in rules and requirements for doing business in 77 countries and considers 292 indicators (e.g., legislation, accounting procedures, tax regimes, human resources rules and payroll procedures), July 2021

... AS IT IS EASY TO START BUSINESS

2021/2022 Global Report,
GEM Consortium : Easiness of
starting business

- The easiness of starting business is measured by the proportions of adults in each economy who strongly agree that it is easy to start a business
- Canada ranked 3rd in G7 and 6th among G20 countries

Ranking based on the easiness to start a business (G7 countries)

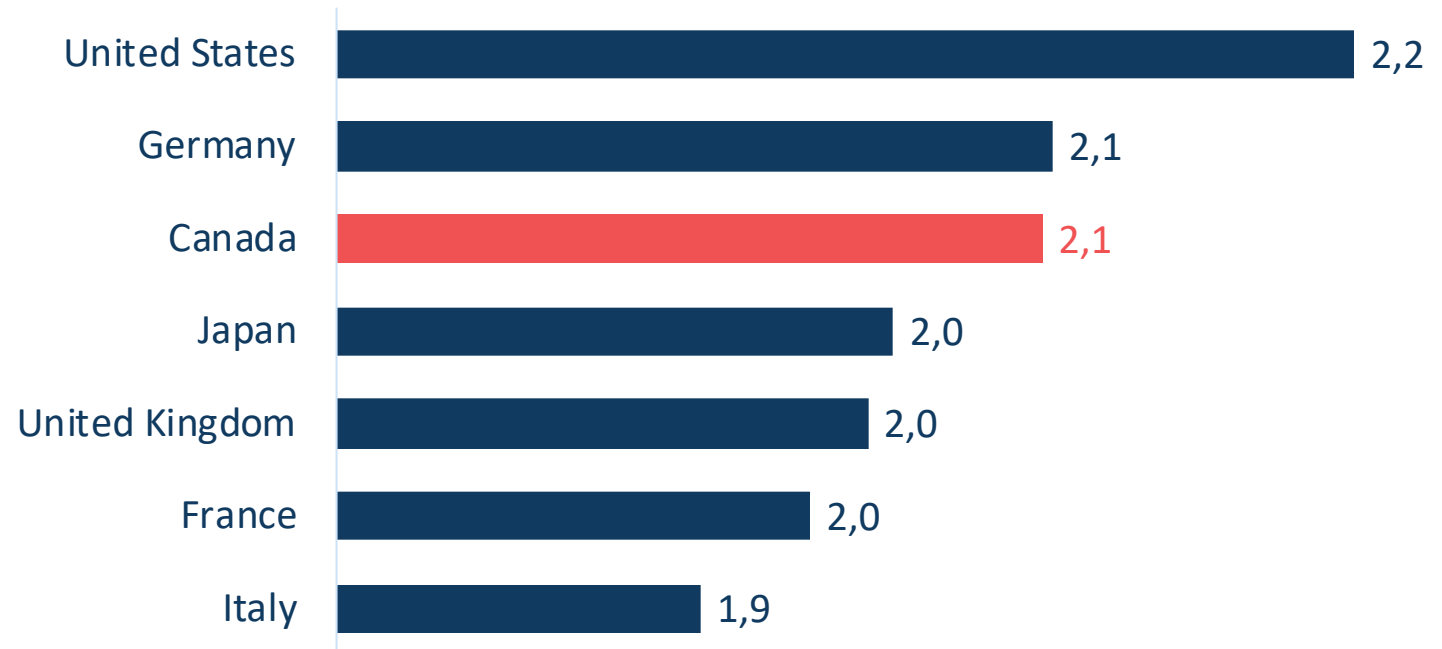


CANADA RANKS 3RD IN G7 COUNTRIES LIKELY TO ATTRACT THE MOST INVESTMENT IN THE NEXT THREE YEARS

Optimism dashed : The 2022 FDI Confidence Index

- Overall, under FDICI Canada ranks 3rd in G7; however, when considering the sub-indicator related to the most optimistic economic outlook in net terms in the next three years, Canada ranks 1st
- The 2022 FDICI is constructed using data from a proprietary survey of senior executives of the world's leading corporations

2022 Kearney Foreign Direct Investment Confidence index (FDICI) G7 countries

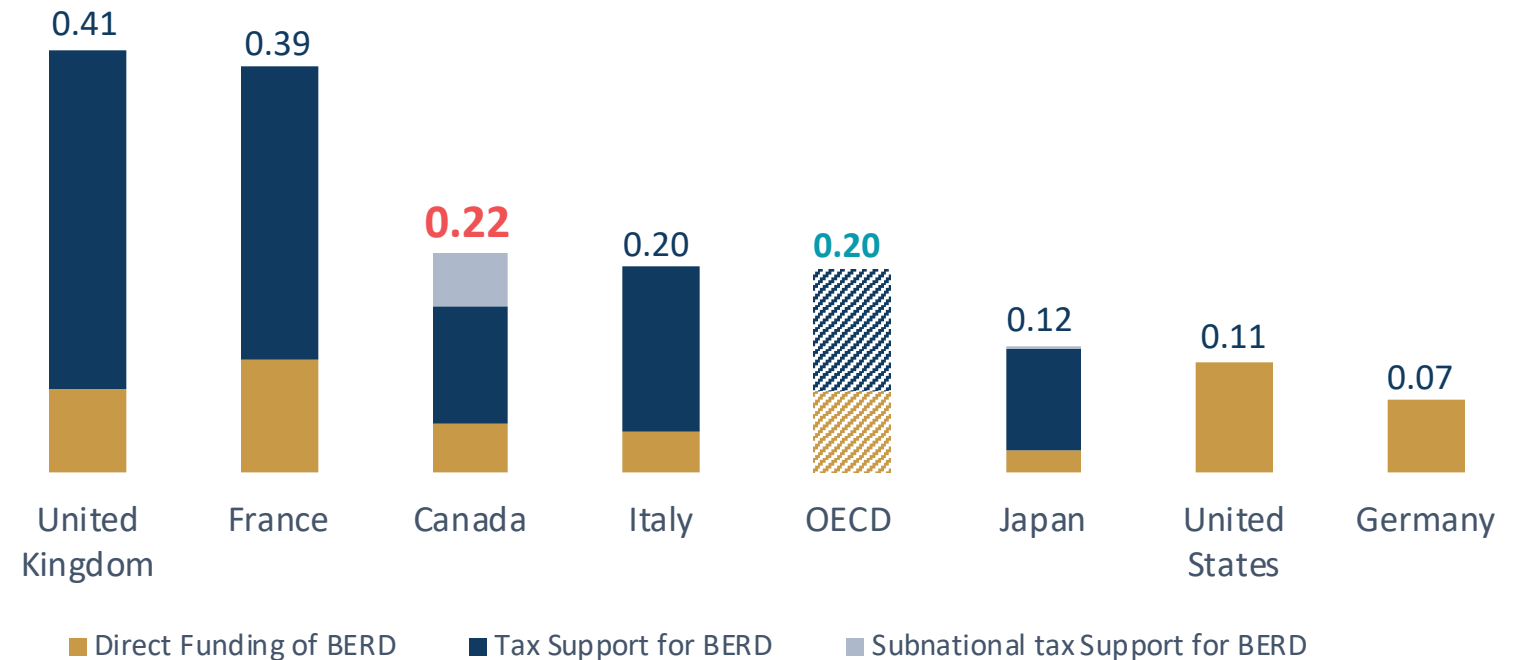


IT SUPPORTS THE VARIOUS SECTORS: BUSINESS R&D THROUGH DIRECT FUNDING AND MULTILEVEL-TAX SUPPORT...

Canada ranks 3rd in the G7, ahead of Italy, Japan, the United States and Germany

- [SR&ED tax incentive](#) is Canada's largest R&D program, providing \$3 billion annually in tax incentives¹
- Budget 2022 included a review of SR&ED to ensure its effectiveness and explore opportunities to modernize and simplify it

Direct government funding and government tax support for business R&D (as % of GDP), 2019*
G7 Countries and OECD average



¹ Invest in Canada: <https://www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/overview.html>

*2019 or latest year available

Source: OECD, R&D Tax Incentives database, April 2022

...AS WELL AS SPURRING INNOVATION WITH DIRECT SUPPORT FOR LARGE PROJECTS (> \$10 MILLION)

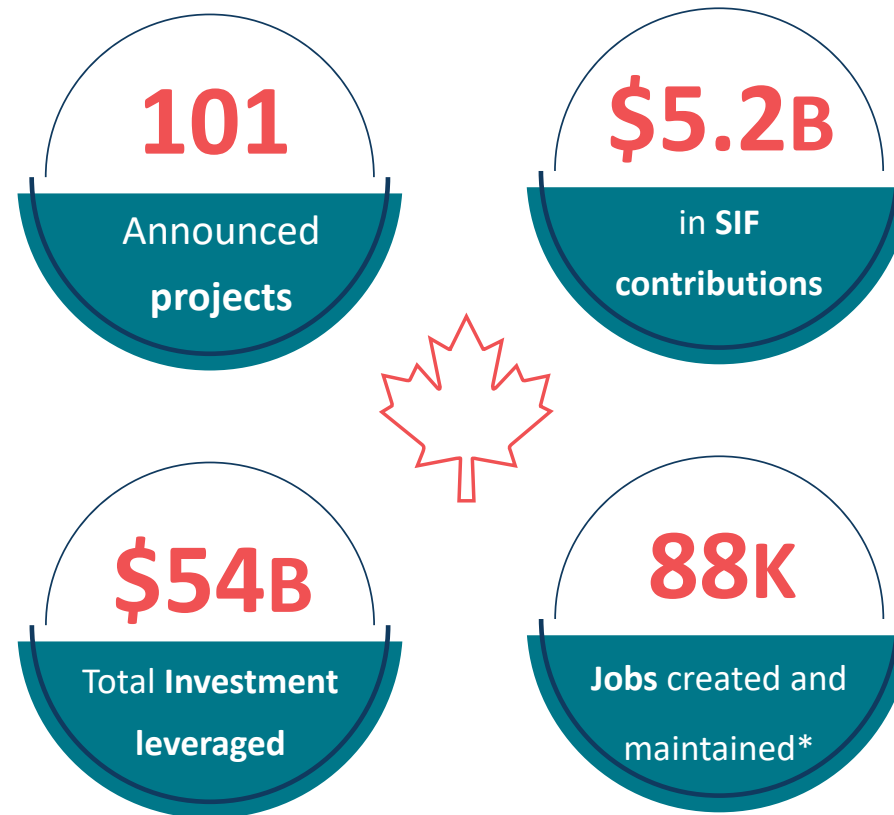
With 5 streams, SIF supports **innovation investments** in

Canada to:

- Encourage R&D
- Facilitate firm growth and expansion
- Attract and retain large-scale investments
- Advance industrial R&D and technology demonstration through collaboration
- Support large-scale, national innovation ecosystems through collaborations across Canada

Canada will maintain this support to innovation with a new investment of up to \$1 billion over 6 years in SIF starting in 2024-25

Strategic Innovation Fund (SIF) Snapshot



CANADA - EASY ACCESS TO MARKETS

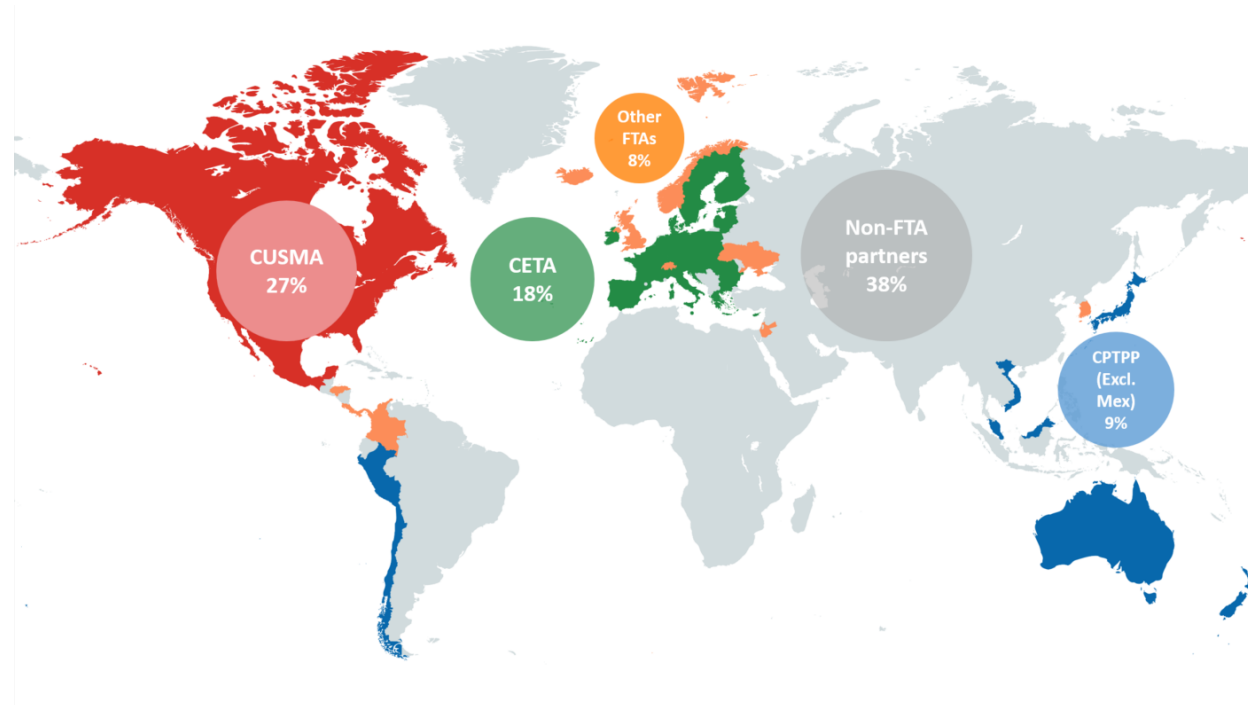


BUSINESSES IN CANADA HAVE EXCELLENT MARKET ACCESS TO 62% OF GLOBAL ECONOMY...

Canada's 15 free trade agreements provide for preferred market access to:

- 51 foreign countries*
- 1.5 billion consumers
- more than US\$57 trillion of global GDP

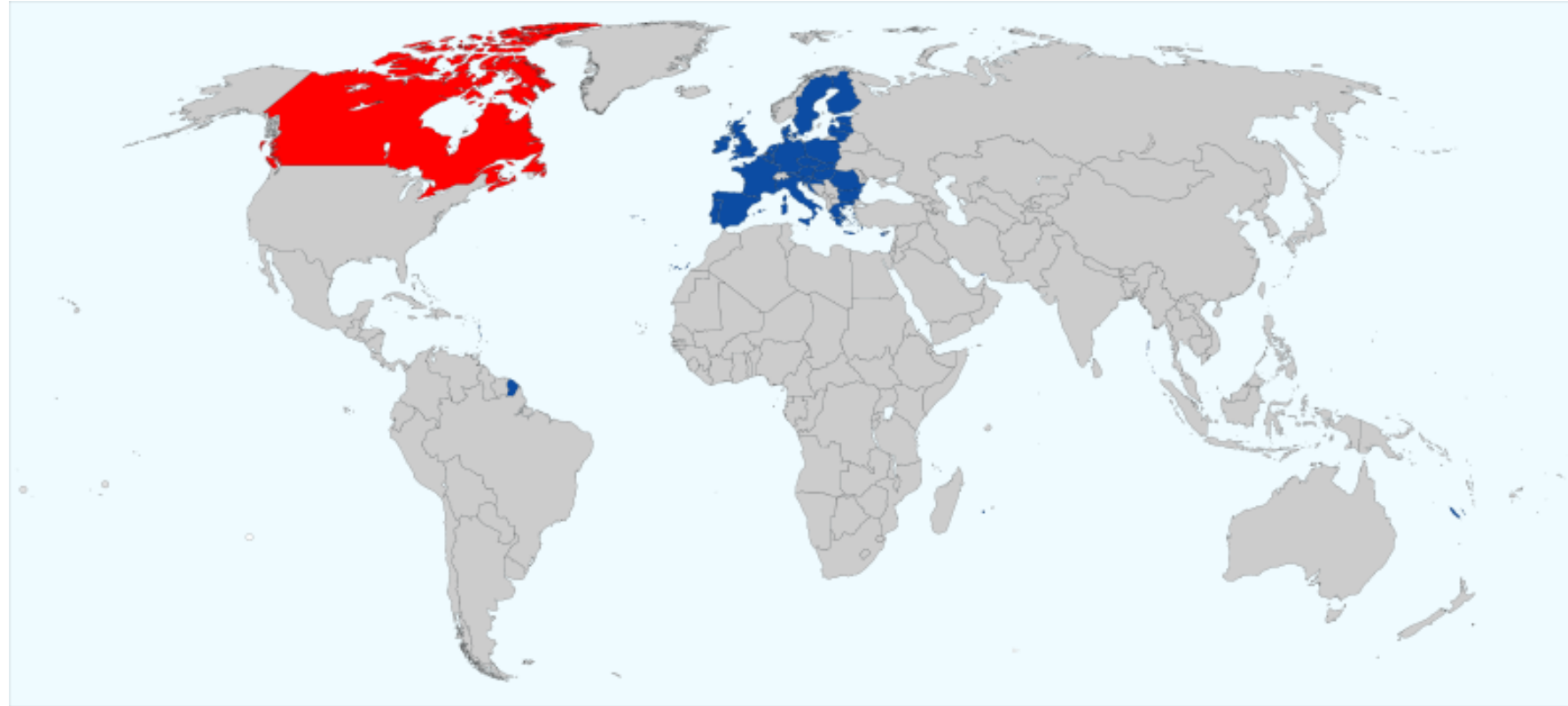
Share of Global GDP by Canada's FTA Partners in 2021





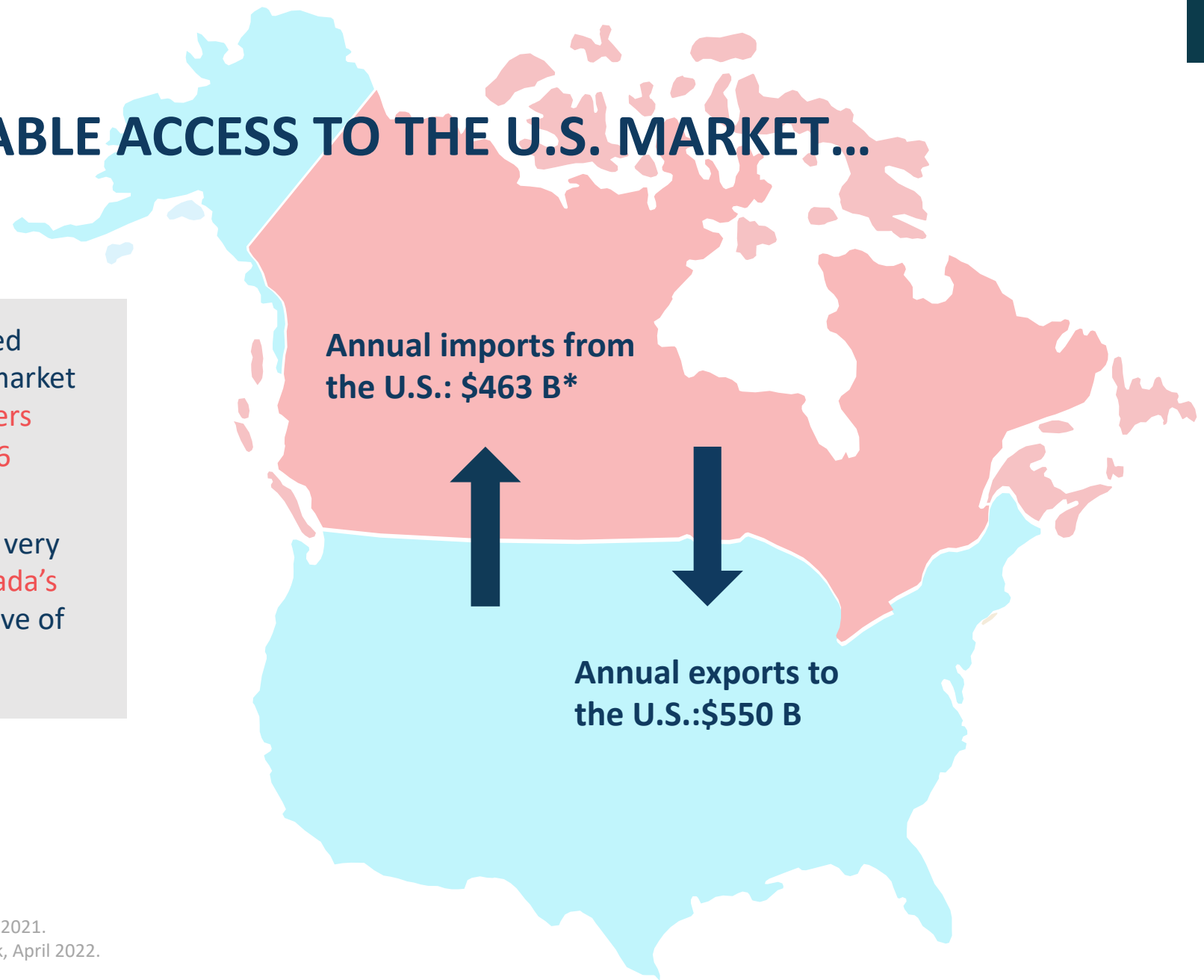
TO THE WHOLE EUROPEAN UNION...

- EU-Canada Comprehensive Economic and Trade Agreement (CETA)
- Benefits of CETA:
 - Elimination of duties on 99% of all tariff lines
 - Defense of the EU's Geographical Indications
 - Improving and securing EU companies' access to the Canadian services market



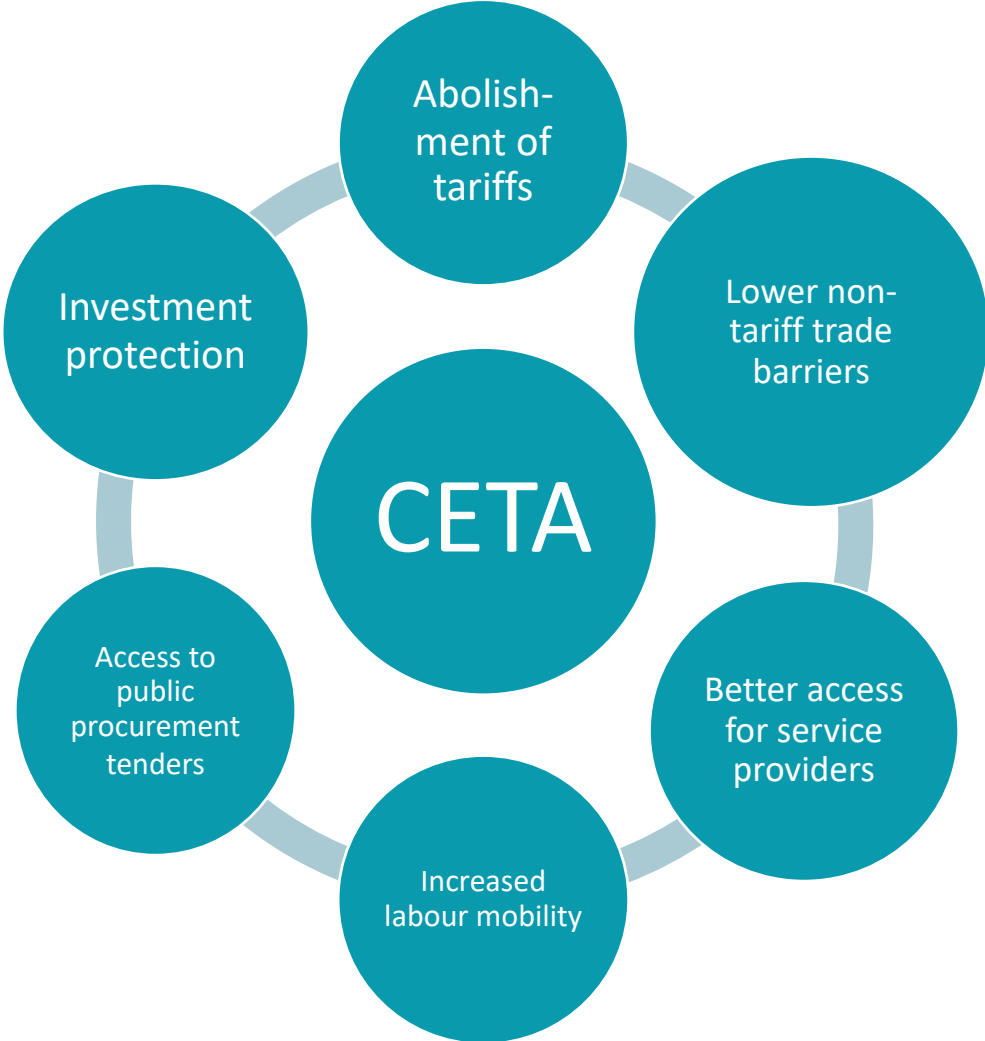
... AND UNCOMPARABLE ACCESS TO THE U.S. MARKET...

- With CUSMA in force, Canadian-based businesses have virtually tariff free market access to nearly 500 million consumers and a combined GDP of nearly US\$26 trillion
- Many Canadian production hubs are very close to U.S. markets with 16 of Canada's 20 largest cities within a 1.5-hour drive of the U.S. border

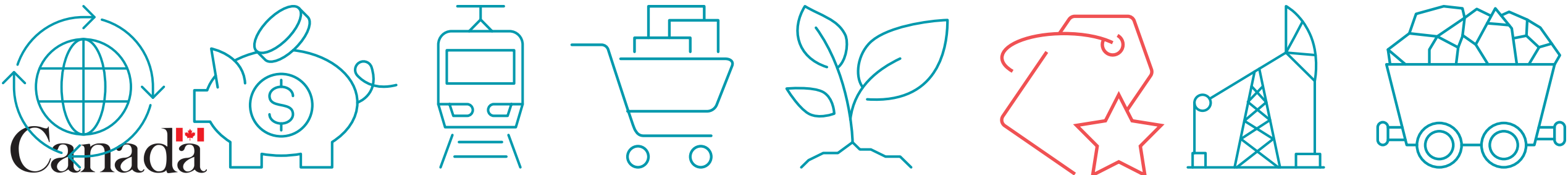


* Import and export statistics are for 2021.
Source: IMF World Economic Outlook, April 2022.

CETA – CONTENT AND SCOPE



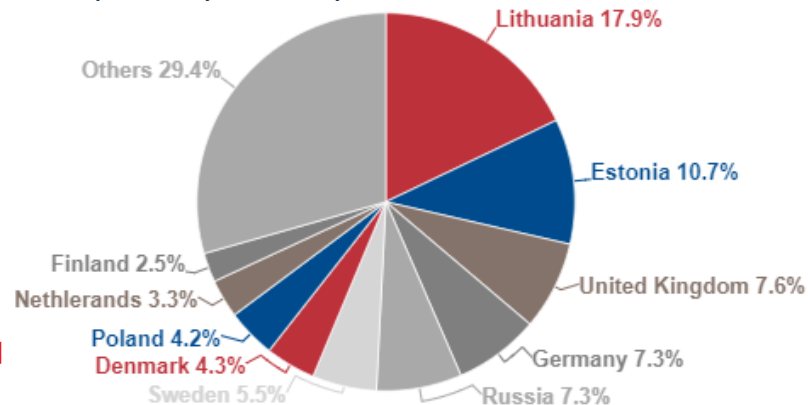
CANADA – STABLE SUPPLY WITH COMMODITIES



LATVIAN IMPORTS BY SECTOR / COUNTRY

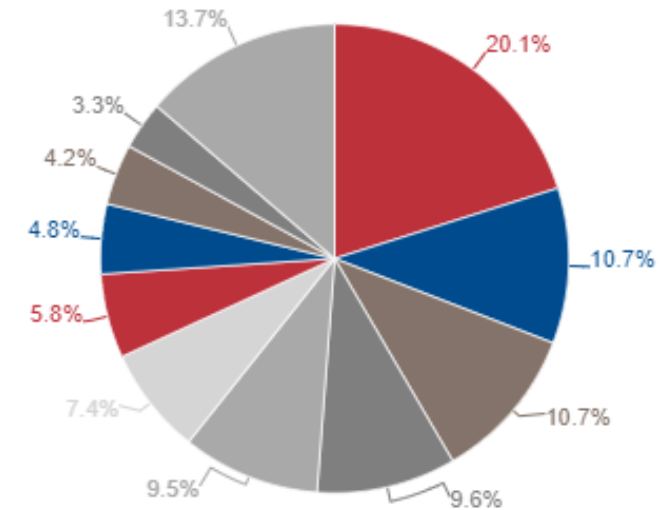
- Most important commodities among Latvian imports in 2021:
 - Machinery and mechanical appliances (20.1%)
 - Transport vehicles - 10.7%
 - Chemical products – 10.7%
 - Mineral products – 9.6%
 - Base metals – 9.5%
- Biggest trading partners in 2021: Lithuania (17.9%), Estonia (10.7%), Germany (7.3%), Russia (7.3%) and Poland (4.2%)
- Mineral products were mainly imported from the Russian Federation (33.4 %), Lithuania (32.1 %), Estonia (17.2 %)

Latvian Imports by Country in 2021



Latvian Imports by Sector in 2021

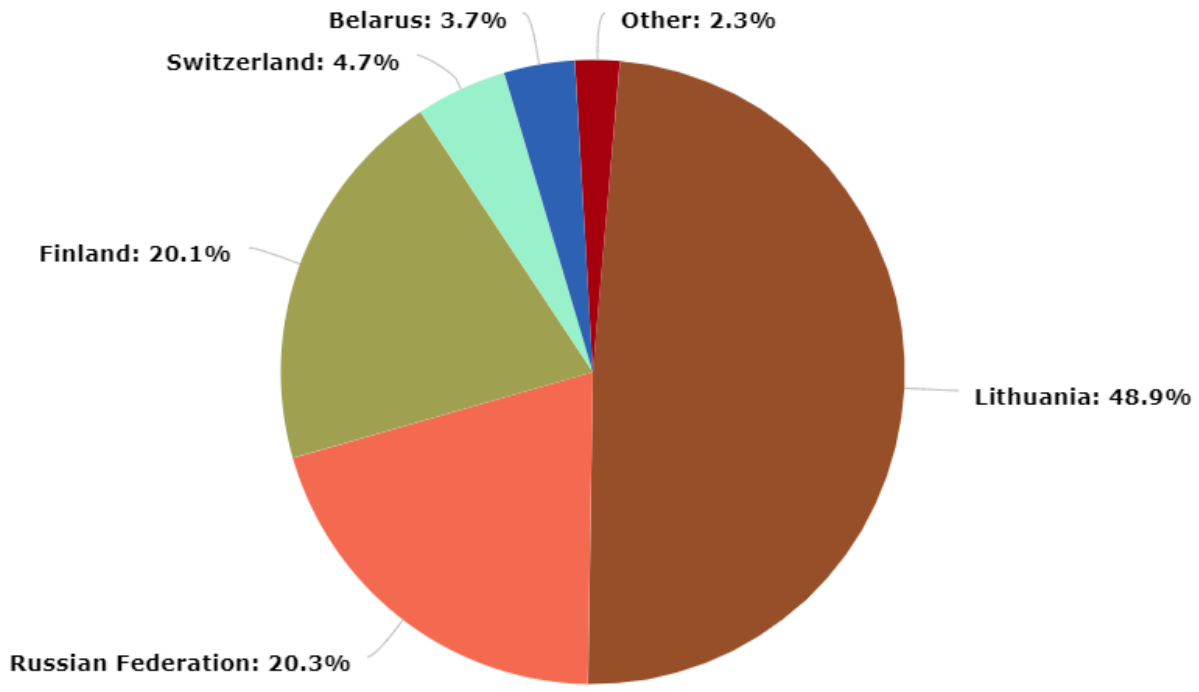
- Machinery and mechanical appliances; electrical equipment
- Transport vehicles
- Products of the chemical and allied industries
- Mineral products
- Base metals and articles of base metals
- Prepared foodstuffs
- Plastics and articles thereof; rubber and articles thereof
- Wood and articles of wood
- Vegetable products
- Textiles and textile articles
- Other



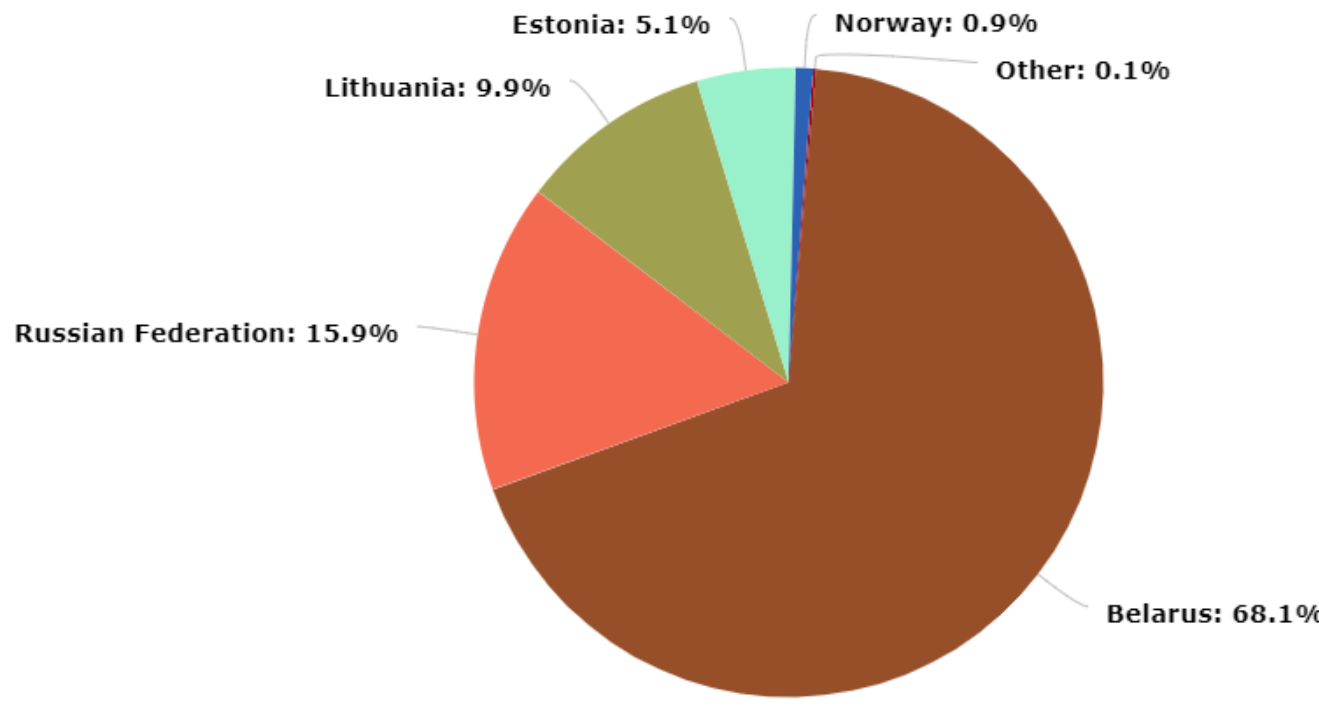
* Central Statistics Bureau of Latvia: <https://www.liaa.gov.lv/en/foreign-trade-statistics#latvian-exports-sector>; <https://stat.gov.lv/en/statistics-themes/trade-and-services/foreign-trade-goods/press-releases/11869-export-and-import?themeCode=AT>

LATVIA: MAIN IMPORTS (1)

Imports of Oil and petroleum products
Latvia - 2020
Thousand tonnes

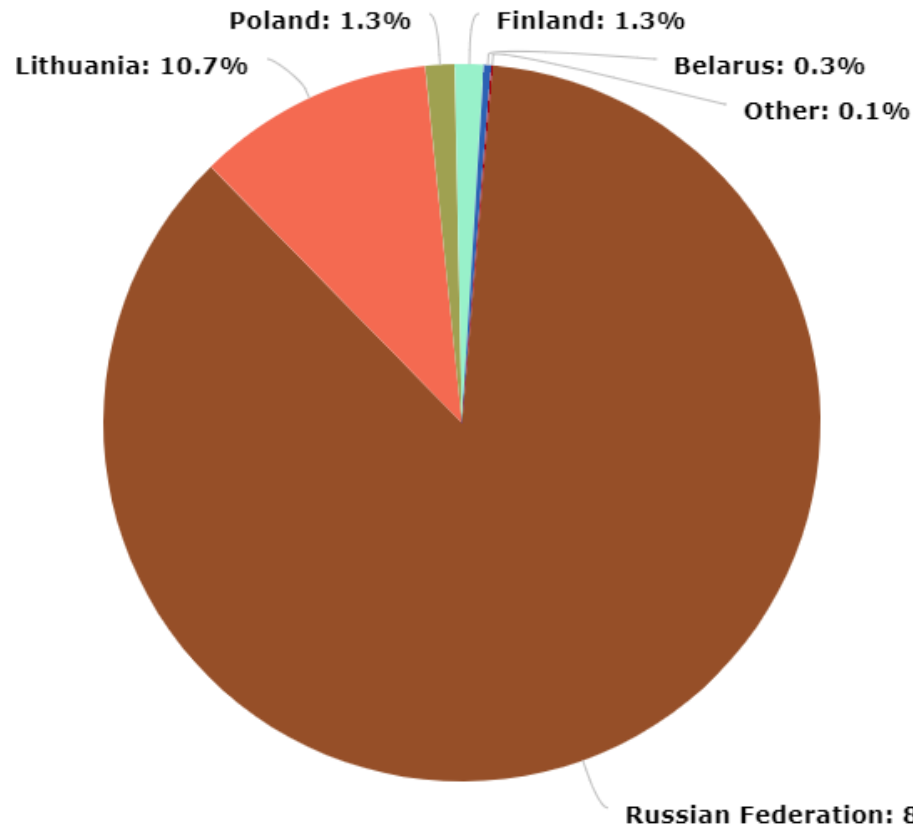


Imports of Wood pellets
Latvia - 2020
Thousand tonnes



LATVIA: MAIN IMPORTS (2)

Imports of Liquefied petroleum gases
Latvia – 2020
Thousand tonnes



Imports of Solid fossil fuels
Latvia – 2020
Thousand tonnes

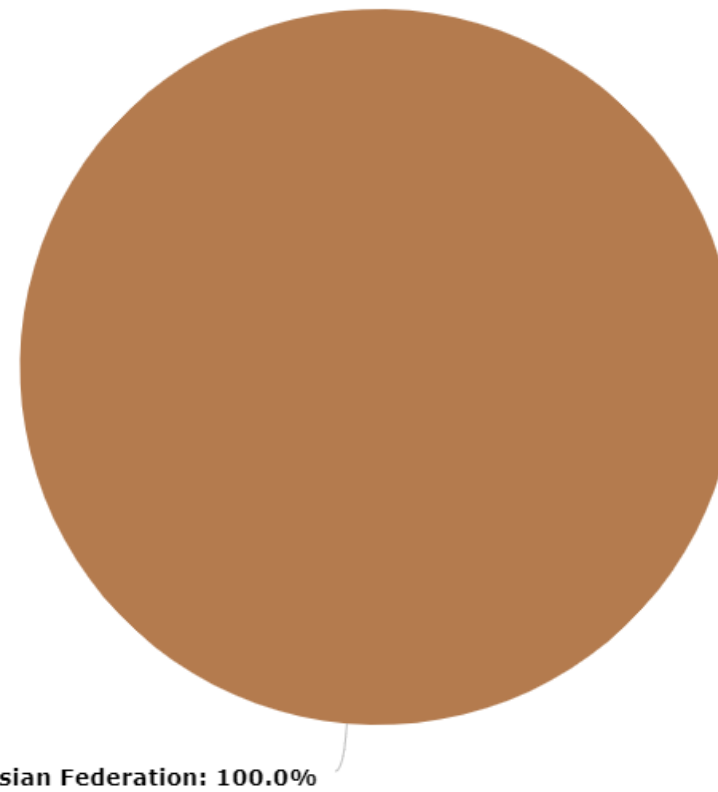


LATVIA: MAIN IMPORTS (3)

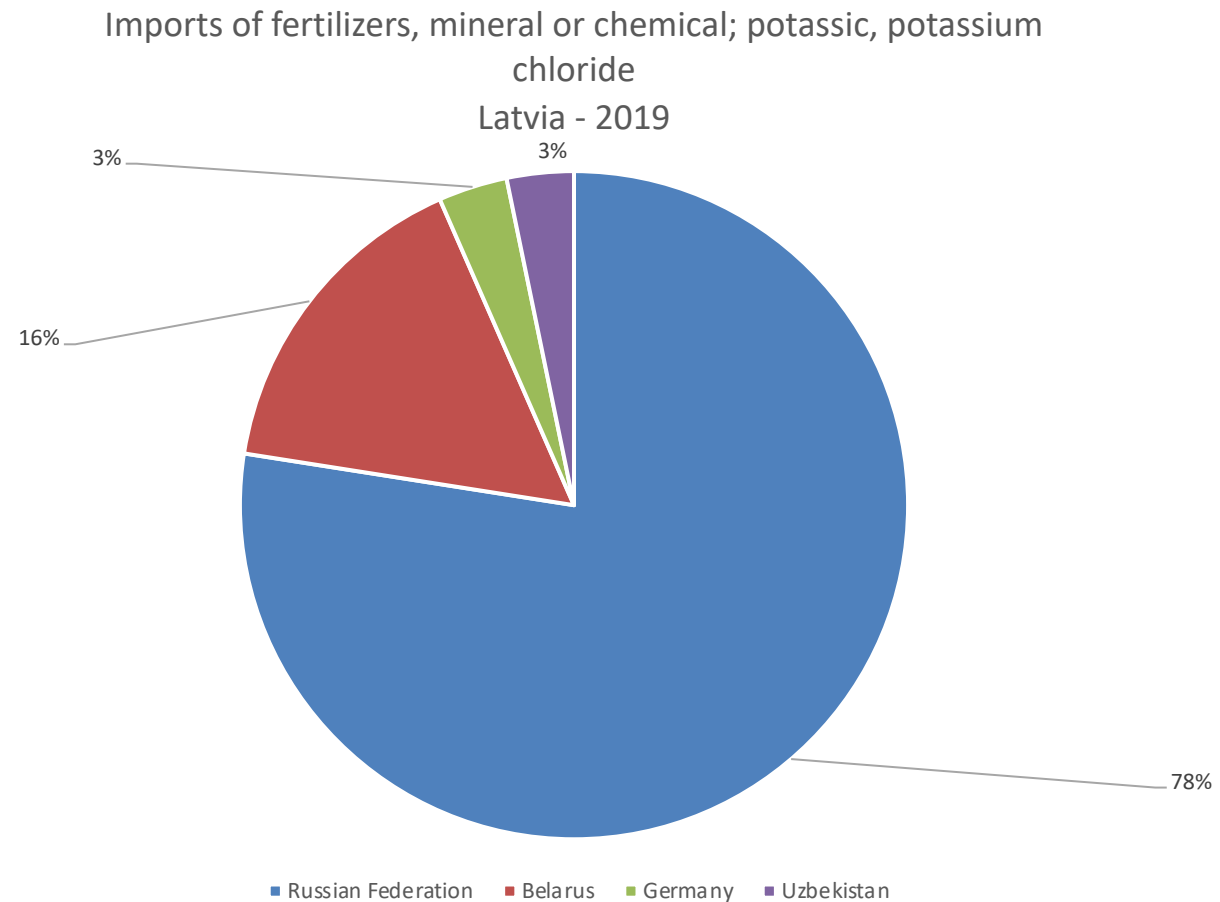
Imports of Hard coal
Latvia – 2020
Thousand tonnes



Imports of Liquefied natural gas
Latvia – 2020
Terajoule (gross calorific value – GCV)

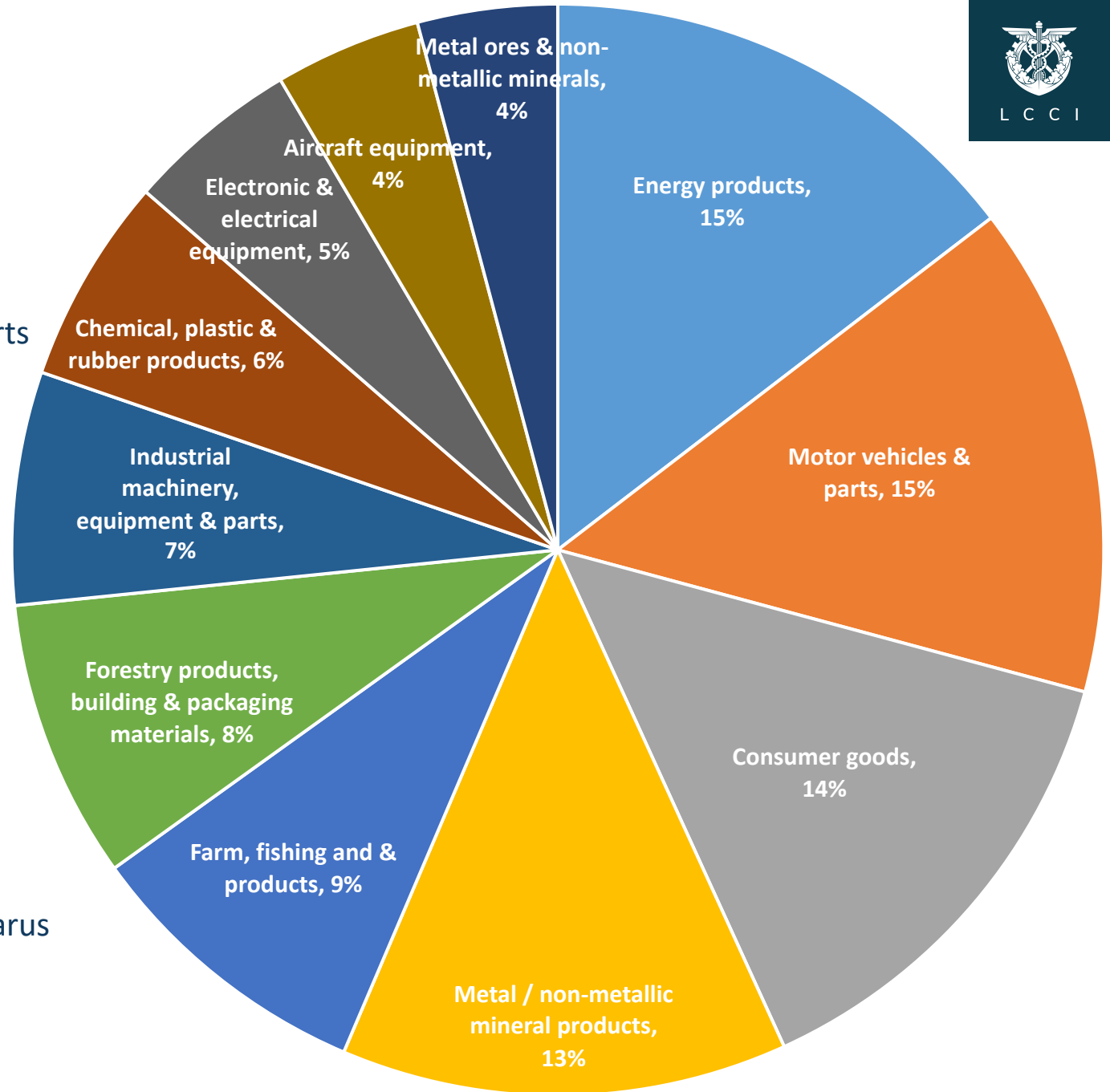


LATVIA: MAIN IMPORTS (4)



CANADIAN TOP EXPORTS

- Most important commodities among Canadian exports in 2020:
 - Crude Petroleum (\$47.2B)
 - Cars (\$31.8B)
 - Gold (\$14.4B)
 - Vehicle Parts (\$9.06B)
 - Sawn Wood (\$7.69B)
 - Raw Aluminium (\$5.48B)
 - Potassic Fertilizers (\$4.85B)
- Main commodities imported by Latvia include **Machinery and mechanical appliances, Chemical products, Mineral products, Base metals and Fertilizers.**
- In areas where there is a dependence on Russia, Belarus or Ukraine, Canada can ensure a stable supply.



CANADA: SOLID REASONS TO INVEST

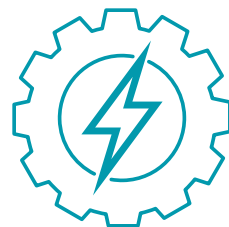
Canada's economic fundamentals and relative cost advantages provide a first-rate business environment.

Canada offers:



Excellent Economic Fundamentals

- One of the strongest economies in the G7
- Lowest debt to GDP ratio in the G7



A Promising Venue for Innovation and Investment

- World leader in post-secondary research
- Strong public support for innovation
- Leader in tech talent



A Highly Competitive Business Environment

- Ease in establishing and operating a new business
- Competitive tax system



Easy Access to Markets

- Geography provides easy access to the world's most prosperous markets
- Highly efficient transportation linkages with Asia and Europe



A Talented Dynamic Workforce

- One of the world's best-educated internationally-oriented workforces
- High quality management skills
- Readily available engineers



An Excellent Place to Live

- Superb overall quality of life
- Society rich in multiculturalism

THANK YOU! PALDIES PAR JŪSU UZMANĪBU!

Hendrik Taulin

**Regional Lead Foreign Direct
Investment Central and Eastern
Europe**

Senior Investment Officer

Embassy of Canada Germany

Leipziger Platz 17
D-10117 Berlin

Tel.: +49 (0) 30 20312-368

hendrik.taulin@international.gc.ca

www.investincanada.gc.ca

