



# **Foreign Direct Investment (FDI) Attraction**

## **Invest Canada-Community Initiatives (ICCI) Program**

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# FDI contributes directly to our economic growth

## Benefits of multinational enterprises (MNEs) are well documented

Multinational enterprises...

- are more innovative and productive
- are more export oriented
- allow transfer of latest technologies
- stimulate domestic competition
- offer higher wages
- connect Canadian industries to global value chains (GVCs)
- provide indirect spillovers (i.e. technology know-how, management practices)
- add capital to the economy

## FDI plays a major role in shaping the Canadian economy

Foreign controlled MNEs in Canada account for...

- 45% of merchandise exports
- 34% of R&D business expenditures
- 26% of corporate profits
- 29% of operating revenues
- 25% of capital investment
- 21% of assets

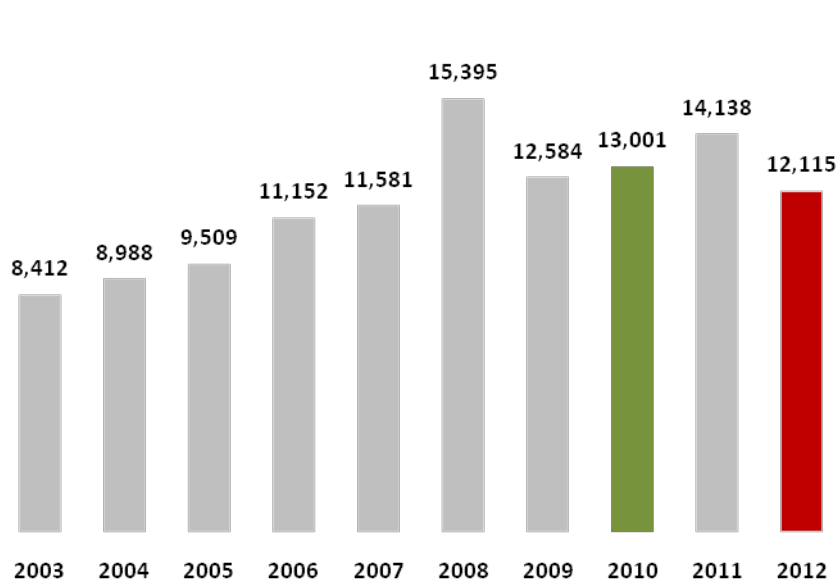
Source: Based on data from Statistics Canada and OECD: Corporate assets (2006), Corporate revenues (2006), Corporate profits (2006), R&D expenditures (2006), Investments (2006), Exports (2002) Capital investment (2007-2009 average).

**Enables higher productivity, living standards and pursuit of social objectives**



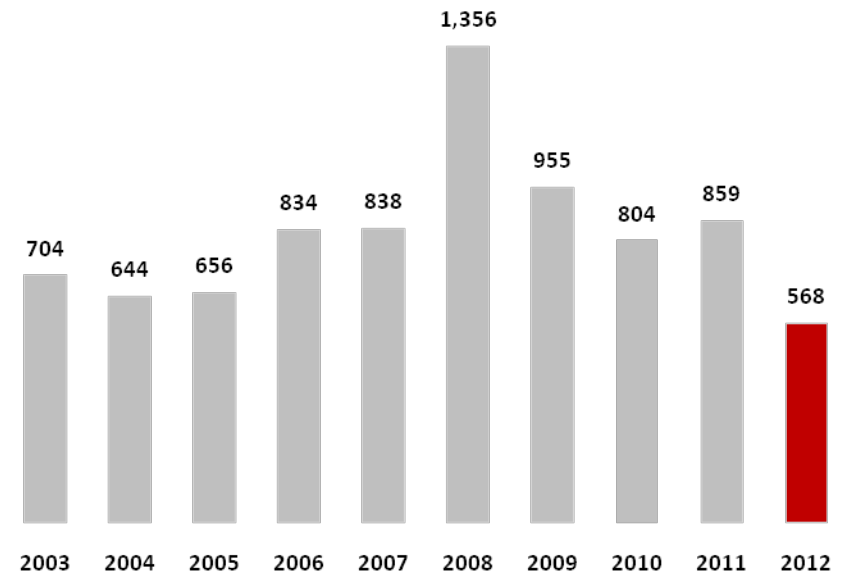
# Globally, the slow recovery in greenfield/expansion investment projects ground to a halt in 2012

## Total number of foreign investment projects globally



- In 2012, fDi Markets recorded 12,115 FDI projects globally, down 14% from the number of project in 2011 and 21% below its peak in 2008.

## Total value of foreign investment projects globally (US\$ Billion)



- In value terms, investment projects globally fell by 34% in 2012 to US\$568 billion, the lowest amount ever recorded by fDi Markets.

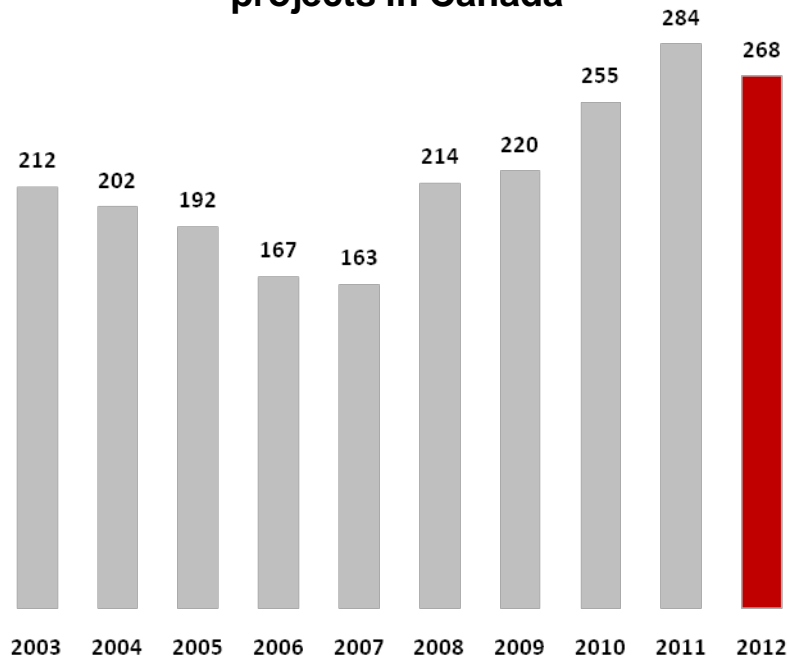
Source: BIA compilations based on data from fDi Markets, Financial Times.

Note: Estimated values on July 16, 2013, for all projects - excluding retail FDI Projects

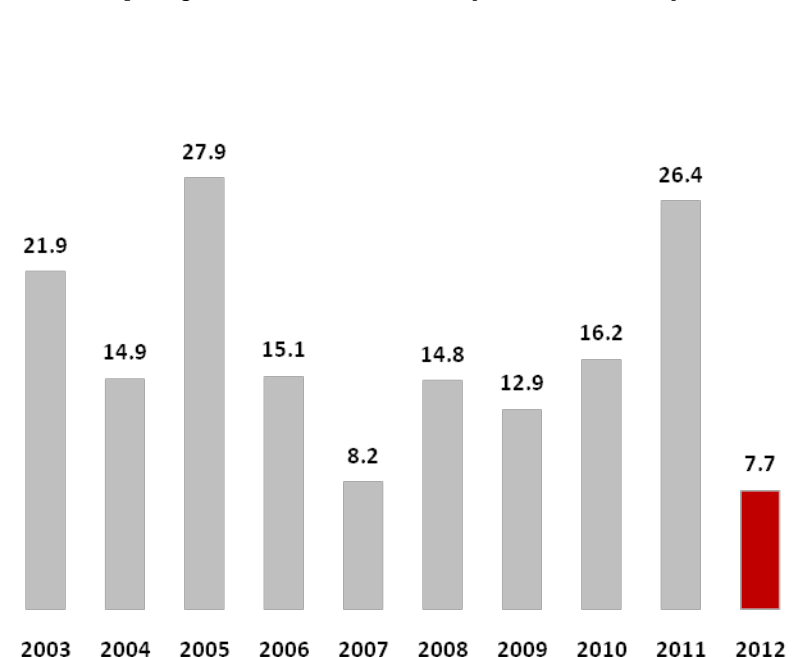


# In Canada, the value of foreign investment projects decreased significantly in 2012

### Total number of foreign investment projects in Canada



### Total value of foreign investment projects in Canada (US\$ billion)



- While the total number of FDI projects in Canada declined by only 5% in 2012, the total investment value of these projects declined by 71% over the same year - largely due to a significant drop in the value of investment in the extractive sector.

- **According to UNCTAD's World Investment Report 2013:**
  - ✓ Looking forward, UNCTAD predicts relatively modest FDI growth next year with flows expected to climb from US\$ 1.35 trillion in 2012 to US\$1.45 trillion in 2013, due to slow economic growth in both developed and developing countries.
  - ✓ Predictions beyond 2013 points to a gradual recovery with global FDI flows rising to US\$1.6 trillion in 2014 and US\$1.8 trillion in 2014.
  - ✓ It is important to note that significant risks to the above growth scenario remain due to uncertainty and persistent fragility of the global economic recovery.
  
- **The economic outlook for Canada appears good, and bodes well for FDI:**
  - ✓ The Economist Intelligence Unit (EIU) continues to rank Canada as the best place to do business in the G7 over the next five years (2013-2017)
  - ✓ Recent OECD statistics rank Canada as a top performer among G-7 countries in terms of GDP growth from 2009-12 and during the 2013-14 forecast period.
  - ✓ According to EIU World Investment Service, FDI flows to Canada are expected to grow from \$45 billion in 2012 to \$59 billion in 2017.



# FDI into Canada originates mainly from advanced economies...

## FDI Stock in Canada by region 2011

### United States



\$326.1 billion

Share of total FDI : 53.7%

### Europe



\$184.2 billion

Share of total FDI : 30.3%

- Netherlands: 9.3%
- U.K.: 6.4%
- Luxembourg: 4.2%
- Switzerland: 3.3%
- France: 2.5%
- Germany: 1.5%

### Japan



\$12.8 billion

Share of total FDI : 2.1%

### Emerging Markets



\$18.6 billion

Share of total FDI : 3.1 %

\$10.9 billion

Share of total FDI : 1.8%

\$4.4 billion

Share of total FDI : 0.7 %

## Motivation for FDI by region

Resource &  
Efficiency seeking

Market &  
Efficiency seeking

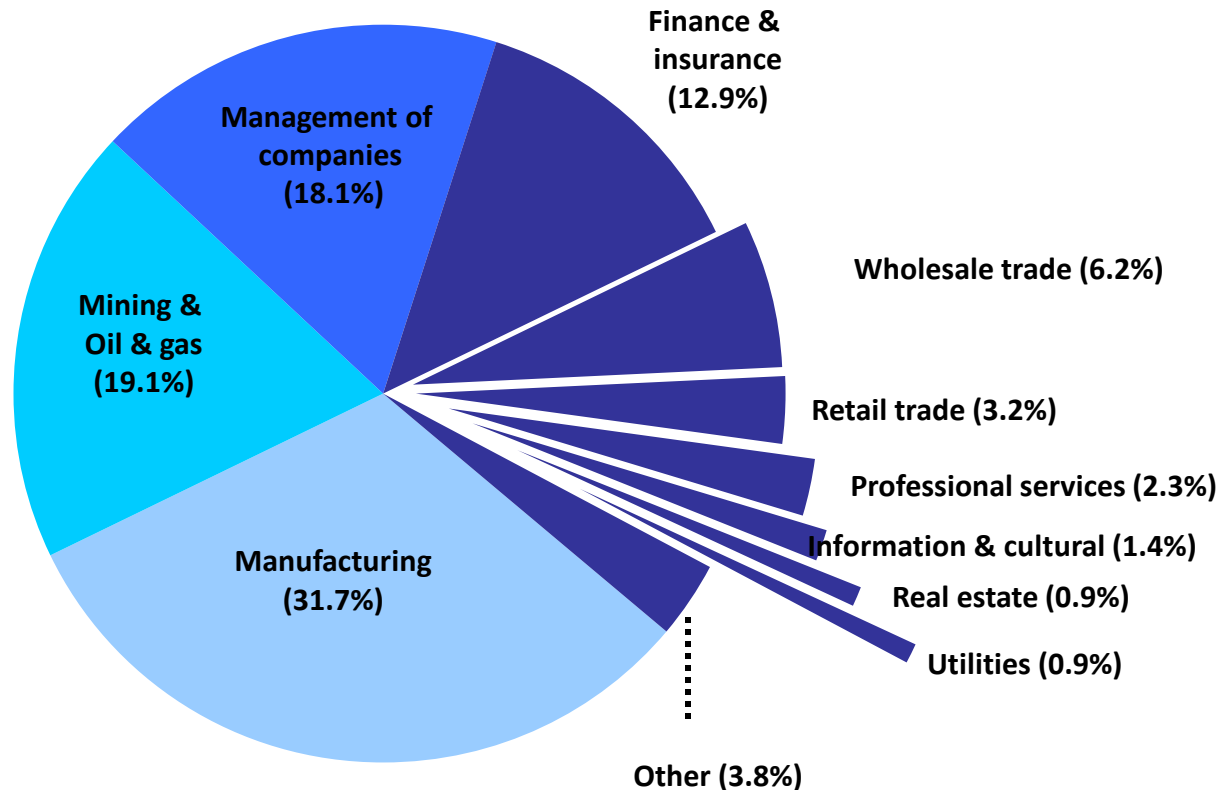
Market &  
Efficiency seeking

Resource &  
Strategic seeking



...and is largely concentrated in the Manufacturing, Mining & Oil & gas and Finance sectors

**Distribution of FDI stock  
in Canada by industry group  
(NAICS), 2011**





# TCS FDI attraction and promotion program

## Objective

Attract FDI projects - greenfield and expansions - that directly contribute to job creation and economic growth in Canada.

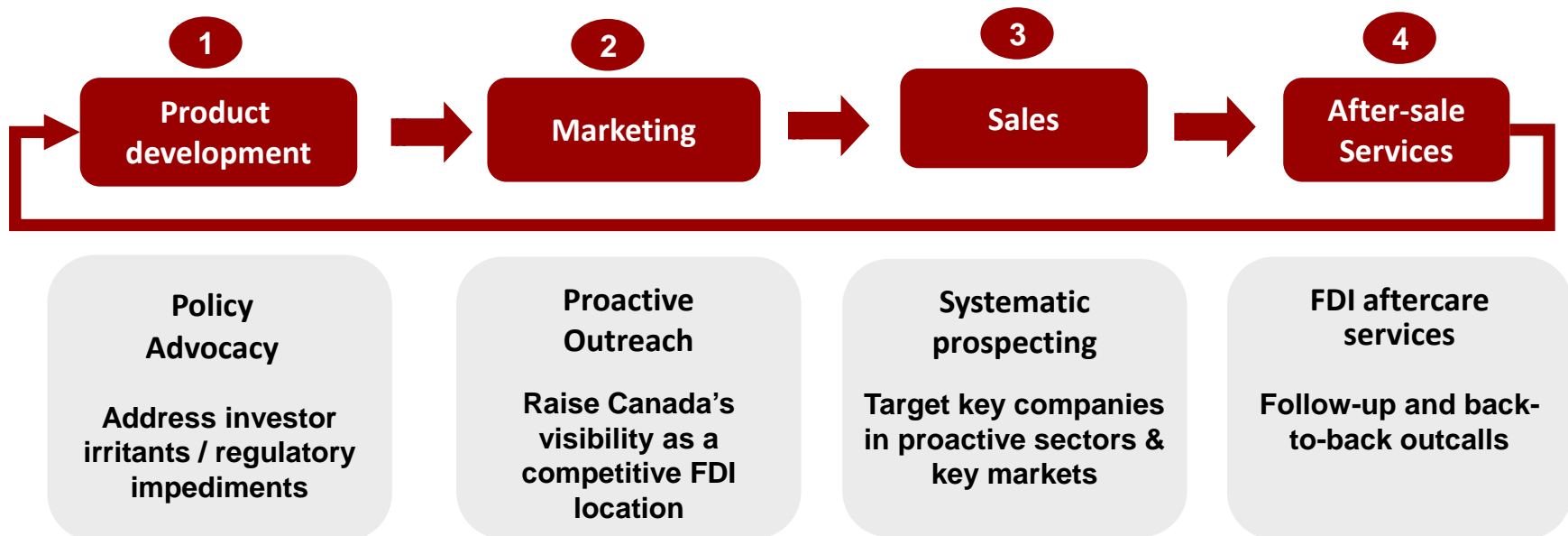
## Focus

TCS engages the network and partnership to attract FDI in:

- 14 proactive sectors where Canada has competitive advantages
- 21 key markets that represent main sources of investment in proactive sectors
- Dynamic firms demonstrating high propensity to invest in the near future

## Strategic elements

Strategy for FDI attraction follows a business model with four key elements



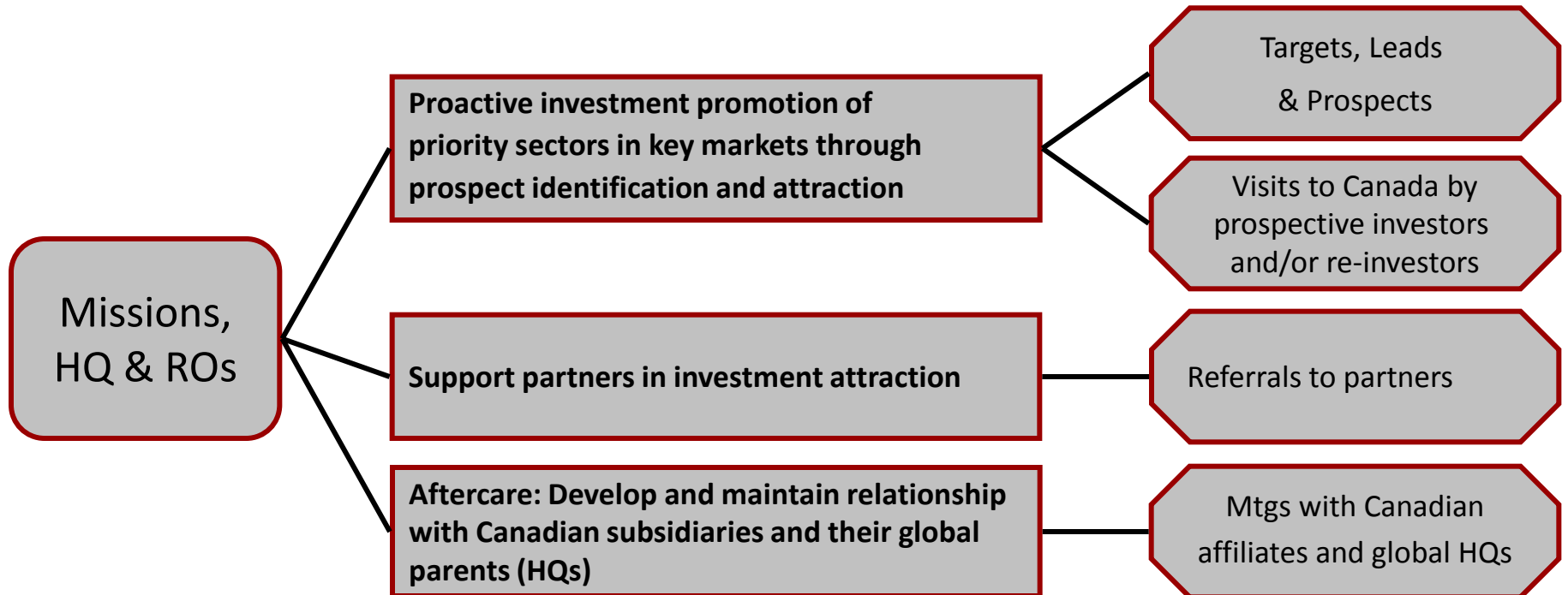




# FDI performance objectives and indicators

## Performance Objectives

## Indicators

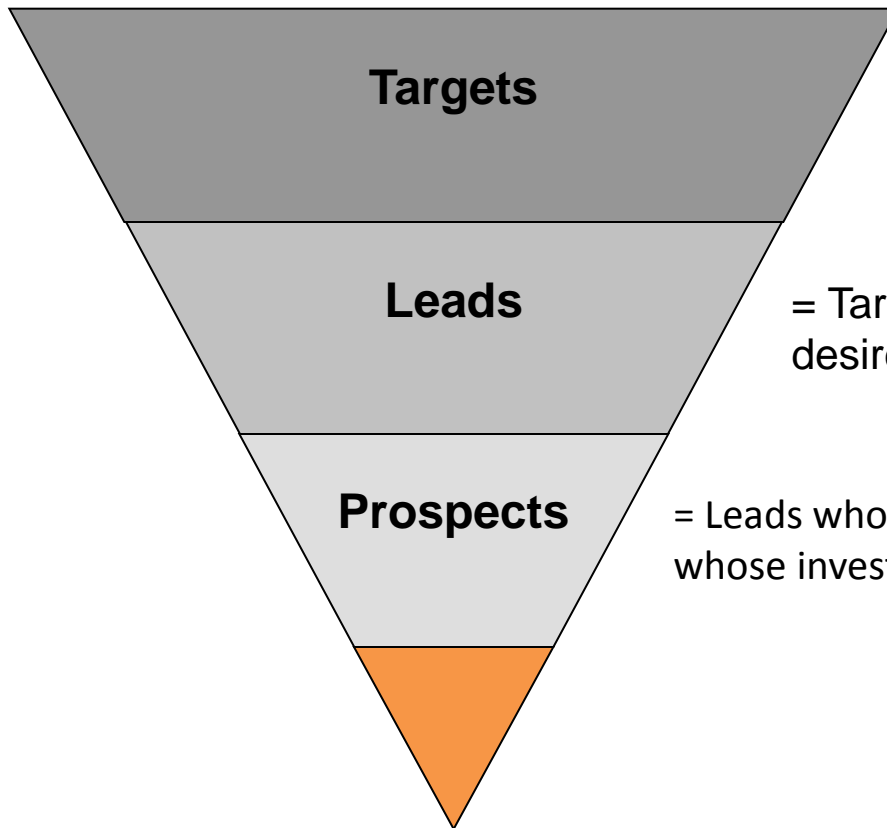




# Greenfield projects accounted for the majority of TCS-facilitated foreign investments

## Investor Attraction Funnel

FY2012-13



**Targets**

= Companies identified by post as being potential investors, based in part on assessments in SIIS

**Leads**

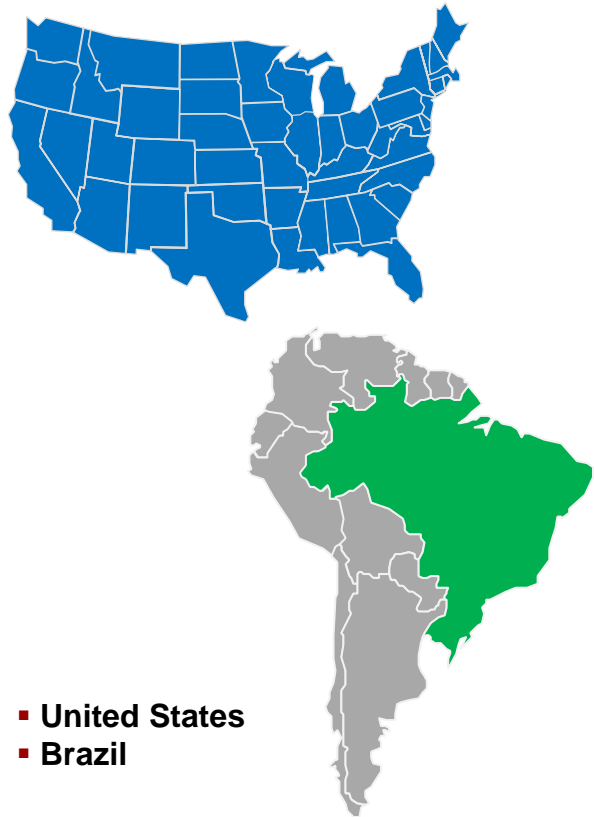
= Targets who have confirmed their desire and capacity to invest abroad

**Prospects**

= Leads who have shortlisted Canada and whose investment decision is imminent



# Target Markets



- UK
- France
- Netherlands
- Switzerland
- Germany
- Belgium/  
Luxembourg
- Finland
- Sweden
- Norway
- Italy
- Denmark
- Spain
- Israel
- Austria



- Japan
- China/HK
- South Korea
- Taiwan
- India

21 Key Markets accounting for 94% of Canada's Inward FDI Stock in 2011



# TCS-facilitated FDI projects from Asia were down 50% but up slightly in other regions in FY2012-13

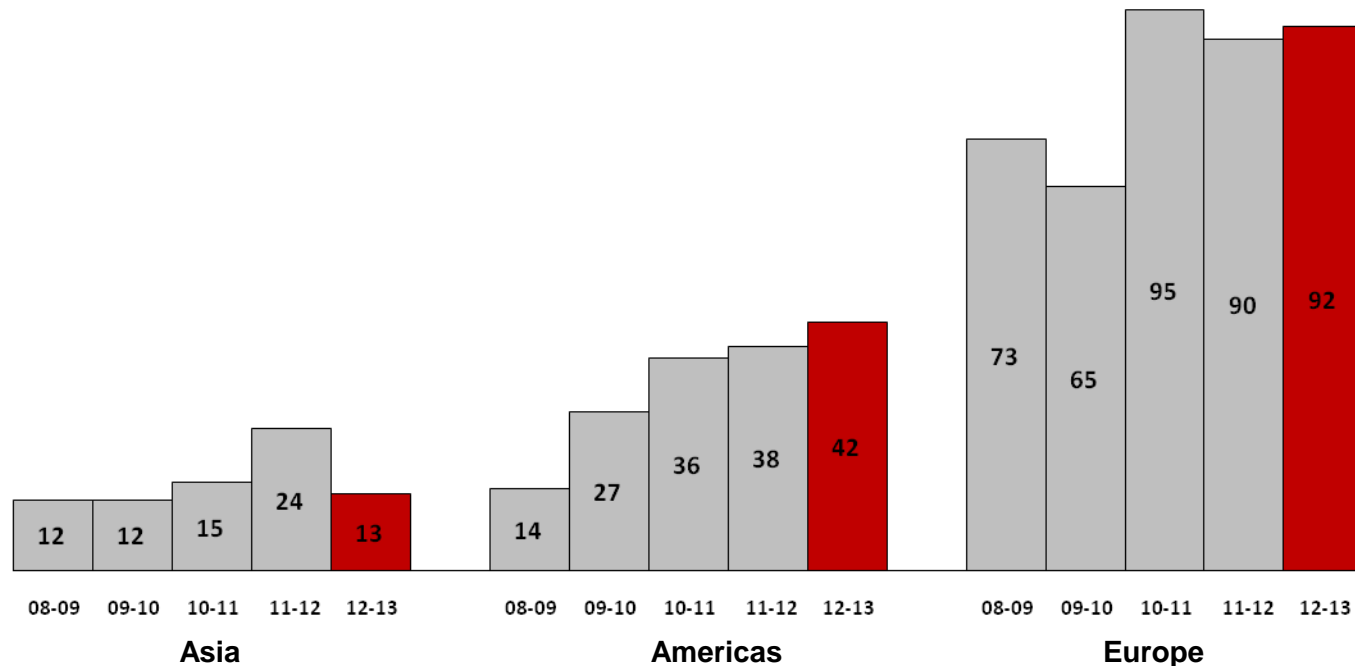
## Over the past five years:

Total number of investments facilitated by region:

- 415 Europe (64%)
- 157 Americas (24%)
- 76 Asia (12%)

Europe was the biggest source of investments facilitated for each of the last five years

## Number of foreign investment projects in Canada facilitated by TCS, by region (excluding acquisitions)



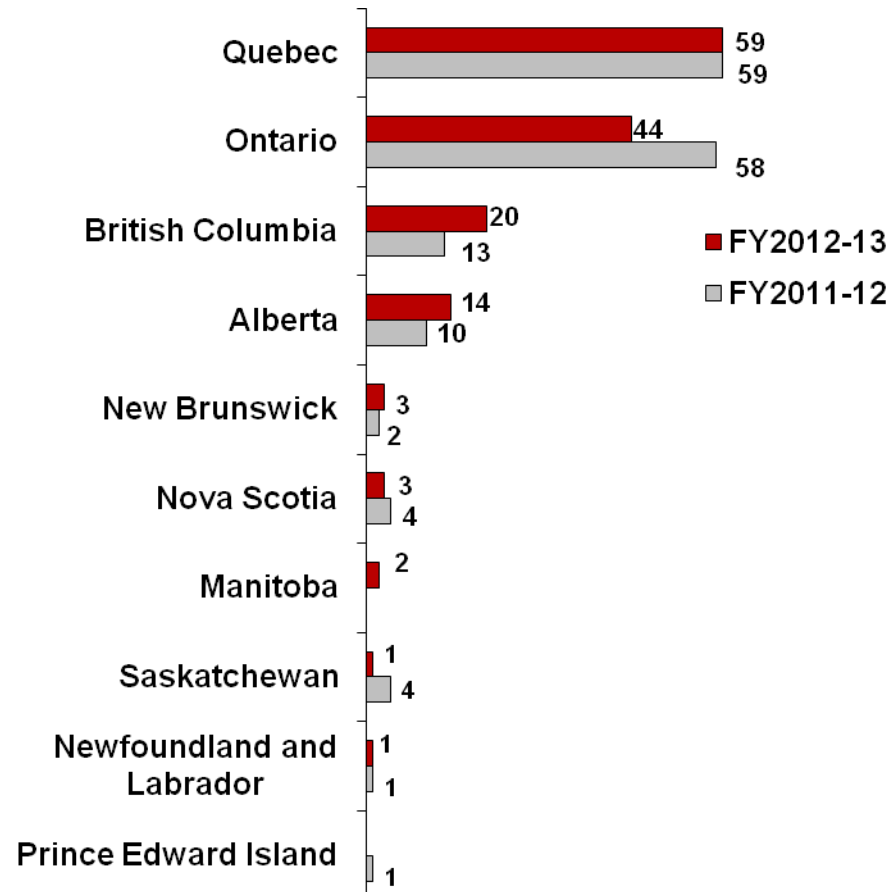
Source: TCS' internal reporting system



# Quebec and Ontario continued to be the largest recipients of FDI projects

- Two largest provinces received the vast majority of investments in FY2012-13 (70%).
- The number of TCS-facilitated foreign investments going to Ontario decreased by 24% over the previous year.

Number of foreign investments in Canada facilitated by TCS, by destination (excluding acquisitions)



Source: TCS' internal reporting system

Note: No Greenfield/expansion investments were facilitated in Yukon, Nunavut, or the Northwest Territories.



## What is Invest Canada-Community Initiatives (ICCI)?

- Contribution program to help Canadian communities and non-profit locally-based organizations to attract, retain and expand **Foreign Direct Investment** (FDI).
- Provides **matching funds** of up to 50% of **eligible expenses** for FDI projects.
- Non-repayable contributions range from \$3,000 to \$300,000.

## ICCI only supports FDI initiatives

- ICCI supports initiatives that promote and sustain foreign direct investment in Canadian communities. Initiatives must be directed towards foreign investors or foreign investments.
- Attracting investors from within Canada or promoting Canadian businesses is not part of the scope of the program.



# Project Eligibility

Projects need to be aligned with DFAIT's priority sectors and markets (also available on the ICCI website).

## Priority Sectors

- **Agrifood:** Food Processing
- **Advanced manufacturing:** automotive, aerospace and defence, machinery and equipment
- **Chemicals and plastics**
- **Clean technologies:** Renewable-energy technologies, environmental technologies
- **Information and Communication Technology:** Digital media, software, wireless communications
- **Life Science:** Biopharmaceuticals, medical devices
- **Services:** Business services, Financial services

## Priority Markets

- **Americas:** United States, Brazil.
- **Asia:** Japan, China, Korea, Taiwan, India.
- **Europe:** United Kingdom, Germany, France, Spain, Italy, Netherlands, Belgium, Luxembourg, Switzerland, Finland, Sweden, Norway, Denmark, Israel, Austria.



# Project Eligibility

## Eligible and Ineligible Expenses

- The ICCI program has a clearly defined list of eligible and ineligible expenses.
- The list can be found on the ICCI website:  
[www.tradecommissioner.gc.ca/icci](http://www.tradecommissioner.gc.ca/icci)
- All applicants are encouraged to review this list prior to starting an application.
- Applications which request funding for an ineligible expenses will receive a lower evaluation grade. Please remember the ICCI program runs on a competitive basis.





## FDI Continuum

*“You can’t run before you walk.”*



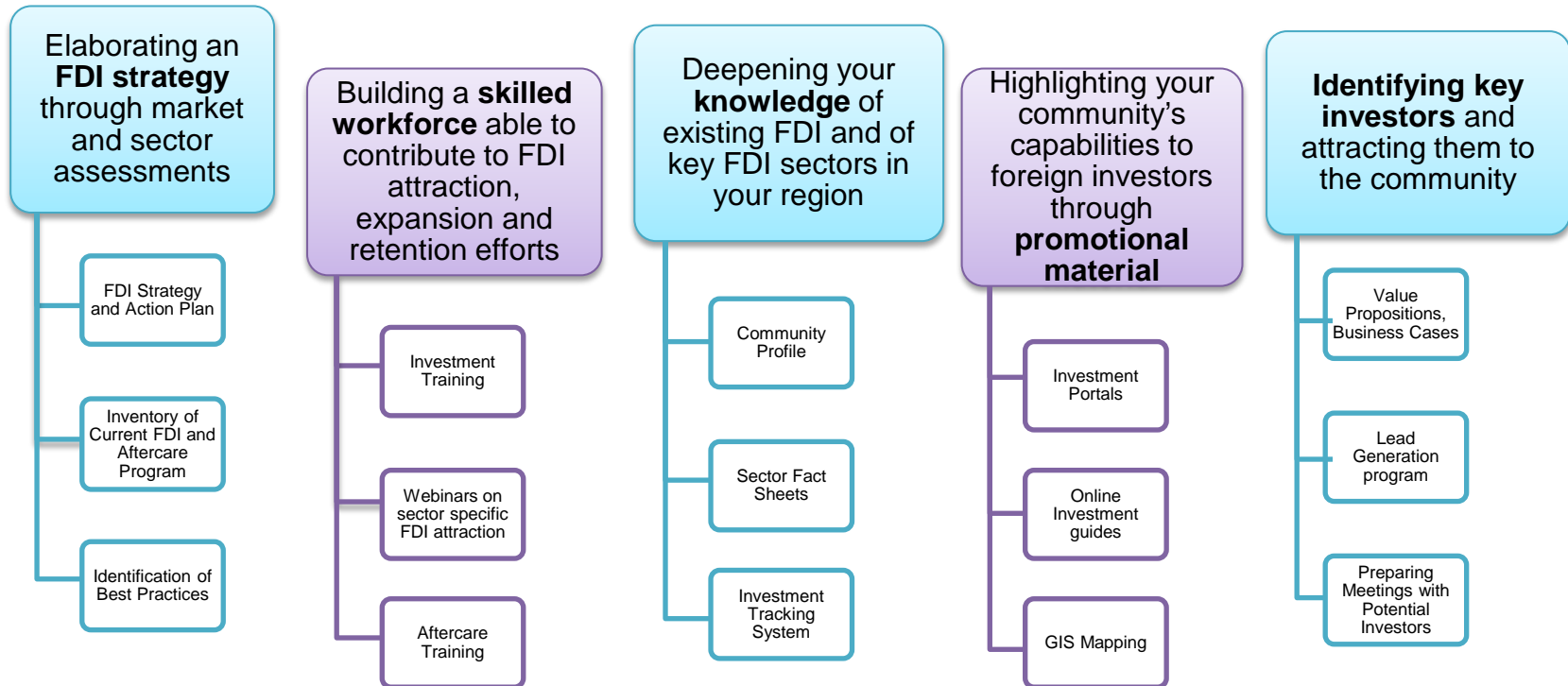
### Factors to consider

- Size of the community/organization
- FDI projects already undertaken by the community/organization



# ICCI FDI Projects

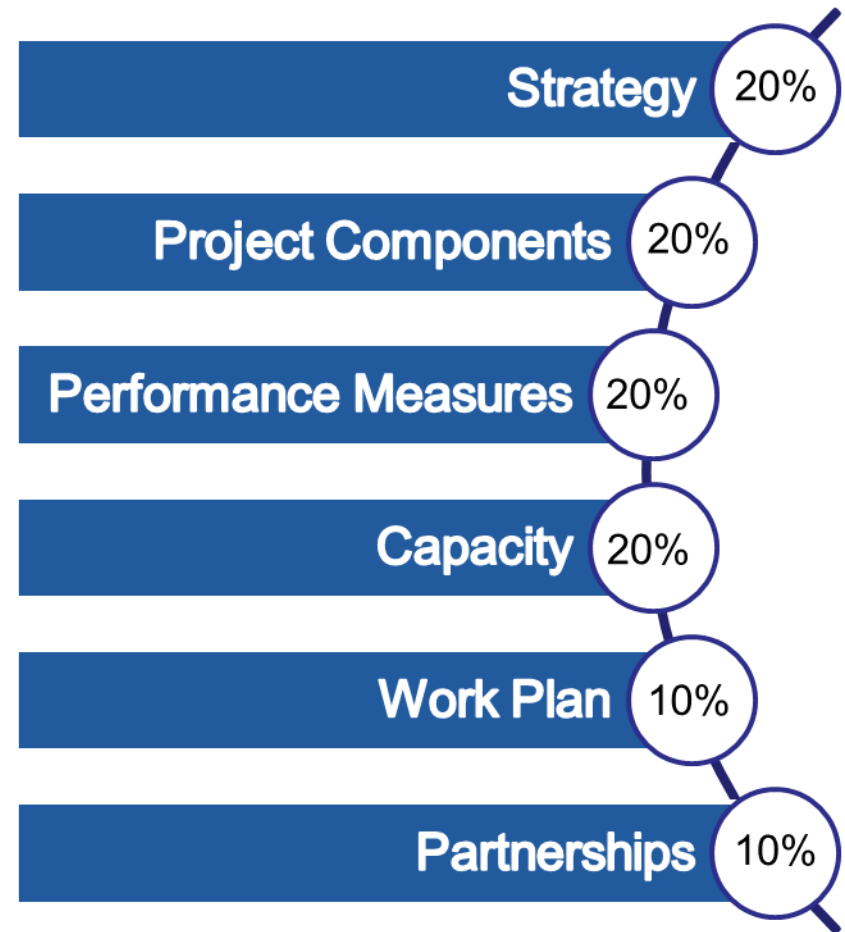
ICCI can fund a broad range of projects depending on where you are on the FDI Continuum.





# Evaluation and Approval

- Funding determined on a competitive basis
- Applications evaluated and approved by regional Adjudication Committees
- Evaluation based on 6 criteria





# Application Information

ICCI Website

<http://www.tradecommissioner.gc.ca/icci>

## Key Dates for 2014 Projects

- September 16, 2013 Start date for submitting application
- October 25, 2013 Deadline for submitting application
- November , 2013 Adjudication period
- January 1st, 2014 Effective date of approved projects
- April 1st, 2014 Start date for submitting claims & progress reports
- October 1st, 2014 Disclosure of de-committed funds
- December 31, 2014 Projects end date
- January 31, 2015 Submit Final Report & Final Claims
- February 28, 2015 Terms of agreement expire