



CANADA'S CHEMICAL SECTOR
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CANADA North America's Choice Location for Chemical Production

The lucrative North American market is a high-priority target for all global marketers, including chemical producers. Where best to locate in order to prosper in the vast and homogenous world of NAFTA? CANADA.

U.S. markets are now Canadian markets. Canada and the United States are each other's largest trading partners. On average almost US\$1 billion worth of goods cross the border between the two countries every day. Chemicals are an important part of this massive trade. The North American chemical industry is huge. Production in 1999 reached US\$471 billion. Of the US\$9.8 billion worth of chemical products exported by Canadian-based firms in 1999, some 84% went to the United States.

Why would an investor prefer to locate production facilities in Canada rather than the United States?



NOVA Chemicals Joffre, Alberta, Ethylene and Polyethylene production facility.

CONSIDER THESE 10 HARD FACTS:

- 1. SKILLED AND AVAILABLE WORKERS:** Canada boasts a high proportion of available, well-educated workers with an excellent track record for company loyalty. Canada is not undergoing the kind of skilled labour gap that has hampered some sectors of U.S. production.
- 2. PRODUCTIVE WORKERS AT REASONABLE COSTS:** A 1999 survey shows that U.S. labour costs for professional and technical employees are more than 150% of Canadian costs for the same calibre of worker.
- 3. EMPLOYEE BENEFITS SAVINGS:** Payroll taxes are lower than those in the U.S., and Canada's universal health coverage eliminates the need for basic private coverage. A recent study showed that General Motors in the U.S. pays an average of \$772 per car in health care coverage, compared to \$200 per car in GM's Canadian operations.
- 4. THE WORLD LARGEST INTEGRATED MARKET:** The North American Free Trade Agreement created one massive marketplace. The North American market is home to more than 365 million consumers, with a GDP of approximately US\$9 trillion.
- 5. PROXIMITY TO INDUSTRIAL CLUSTERS:** Most Canadian production sites are within one day's trucking of major North American industrial clusters; often Canadian producers are closer than American producers to the biggest U.S. markets.
- 6. LOWEST COST R&D:** Generous Canadian tax regulations permit much more leveraging of R&D investments than is offered in the United States or any other G-7 country (see back page).
- 7. RAPID ENVIRONMENTAL PERMITTING:** Established and predictable environmental management systems result in quicker environmental permitting – important in an industry where getting a product to market quickly is key.
- 8. COMPETITIVE BUILDING COSTS:** Average SME construction costs in Canada are lowest of all G-7 countries, at US\$41 per square foot. That compares to an average of US\$47 per square foot in the U.S. and US\$82 per square foot in Germany.
- 9. LESS LITIGATION:** Canada is a far less litigious country than the U.S. – tort costs have traditionally been less than 1% of GDP, well under half the U.S. rate. Result: Much lower liability insurance costs for Canadian-based operations.
- 10. COOPERATIVE GOVERNMENTS:** According to the Canadian Chemical Producers' Association, "New government policies and programs [related to the chemical industry] are usually developed using consensus-oriented processes that generally work well and provide an advantage over more confrontational approaches elsewhere."

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