Country Report regarding the International Economic Environment.

Case Study: Canada

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Part I

Introduction

Choosing Canada as a potential business environment is mainly due to its stable and diversified economy, but also to the variety of its natural resources. Canada is a particular example of how to deal with the recession that struck the world in 2008. Its economy proves to be not only strong but also competitive. The rather strong institutional credibility, although fairly bureaucratic, together with the conservative pattern of managing the society and economy, offer Canada a nice perspective for developing business. As well, The Global Competitiveness Index 2012 registers Canada as the first country regarding the small number of procedures required to start a business. It takes only 5 days to start one. The independent legal framework and the ethical behavior of firms are also incentives of its global competitiveness.

In the present paper, Canada is mainly compared with the US, given the fact that they both pertain to the same economic environment and hemisphere, their economies are powerfully interconnected. With a strong and diversified internal market, but also with good trades especially with its neighbor, the United States (exports 73%, imports 49.52%), Canada can prove to ensure a good and stable business environment. Actually, the stability of its economy is the main argument for starting a business in Canada. One expects to find a protective business environment, with access to big sized markets.

Maybe as a curiosity, Canadians tend to follow high risk businesses in order to obtain greater profits, therefore they search for riskier countries to invest in. Nevertheless, one prefers Canada for its steady economic environment, although the profit rates are affected by the high taxation or slow growth.

Chapter 1. Short presentation of the country

Canada is the second largest country in the world, as territory, after Russia. In terms of population, it has over 34 million people, ranking 35 in the world (CIA Factbook). It is located in the Northern North America, bordering the North Atlantic Ocean on the East, North Pacific Ocean on the West, and the Arctic Ocean on the north. In the South it shares the longest unfortified border with the United States. Approximately 90% of the population is concentrated within 160 km of the US border (see Annex 1. Fig 1).

The terrain is composed mostly of plains with mountains in west and lowlands in southeast, while the climate varies from temperate in south to subarctic and arctic in north. It is also one of the world's richest natural resource countries, having iron ore, nickel, zinc, copper, gold, lead, rare earth elements, molybdenum, potash, diamonds, silver, fish, timber, wildlife, coal, petroleum, natural gas, hydropower (CIA Factbook). Maybe its biggest natural resource is its 'water reservoirs'. Canada has more fresh water than any other country and almost 9% of Canadian territory is water; it has at least 2 million and possibly over 3 million lakes – that is more than all other countries combined.

Political and administrative context[1]

Canada is a relatively young country that gained independence from Britain in stages, over the course of a century. It started on its path as a self-governing nation in 1867, when the British Parliament passed the British North America Act. This legislation formed Canada's written constitution until 1982, when Britain formally relinquished its authority over the Canadian constitution.

As its roots might suggest, Canada is a parliamentary democracy closely linked to the British form of government. It has established two levels of government – a federal authority that governs matters of national interest, and the 10 provinces[2] that govern matters of a more local interest. The Canadian Constitution also sets out the specific powers and jurisdictional limits for each level, with the intended result that each should have exclusive domain over certain aspects of government. For example, the federal government has been allotted authority over the regulation of trade and commerce, banking, patents, copyright and taxation. The provinces have authority over property and civil rights and the administration of justice on a provincial level. As would be expected, there are areas of overlap and the working principle is that of cooperation.

Canada's capital is Ottawa, in Ontario, also home of the federal government. Similar to the U.S. federal government, the Parliament of Canada has two legislative bodies through which proposed bills must pass before becoming law: the House of Commons, which has elected representatives, and the Senate, which is comprised of appointees. Canada has four principal political parties – Liberal Party of Canada, Conservative Party of Canada, Bloc Québécois and New Democratic Party of Canada. The political party that controls the most seats in the House (total 308) forms the ruling government of the day. Currently, from 2nd May 2011, the Conservative Party is the ruling political party.

Demography

In 1867, the year of Confederation, Canada's population was close to 3.5 million. Since then, the population size has grown steadily and has doubled about every 40 years. In recent years, however, the increase in population has slowed. In July 2011, Canada's population was estimated just under 34.5 million (see Annex 1. Fig 2).

[1] The information gathered here mostly pertains to Blakes Canadian Lawyers, *Doing Business in Canada*, 2012.

[2] Canada is actually divided in 10 provinces (Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec, Saskatchewan) and 3 territories (Northwest Territories, Nunavut and Yukon).

The **rate of population growth in Canada has declined in recent years**. Canada's average annual growth rate in the interval 2000 to 2010 was 1.1%. The growth rate is expected to slow even further over the next several decades (0.9% between 2010 and 2060) (see Annex 1. Fig 3).

The population of Canada is ageing. In 2011, the median age in Canada was 39.9 years, meaning that half of the population was older than that and half was younger. In 1971, the median age was 26.2 years. Seniors make up the fastest-growing age group. This trend is expected to continue for the next several decades due mainly to a *low fertility rate* – below replacement (i.e. average number of children per woman), an *increase in life expectancy* (see Annex 1. Fig 4), and the *ageing of the baby boom generation*. In 2011, an estimated 5.0 million Canadians were 65 years of age or older, a number that is expected to double in the next 25 years to reach 10.4 million seniors by 2036. By 2051, about one in four Canadians is expected to be 65 or over[3].

Since Confederation, **immigration has been an important contributor to Canada's population growth**. In 1913, immigration peaked at just over 400.000 immigrants. From 2001 to 2011, it averaged a little less than one quarter of a million (245.613) immigrants per year. Between 2001 and 2011, there were 2.456.133 immigrants and 464.765 emigrants, resulting in a net migration of about 1.991.000 persons (see Annex 1. Fig 5).

There is easy to notice a **trend towards urbanization in Canada**. Nowadays, only 20 % of population live in rural areas, meaning outside centres with a population of 1.000 inhabitants and outside areas with 400 persons per square kilometre (see Annex 1. Fig 6).

In matters of education, Canada is highly ranked by a 2003 multi-country study from the European Commission (second, after Finland, from a list of 17 countries). Regarding literacy, 99% of its population aged 15 and over can read and write. The school life expectancy is 17 years (CIA Factbook). **Canada's education strength is in its public system that provides many Canadians with a good education and the basic skills they need to enter the workforce and achieve substantial success**. The system's primary focus is on delivering education to young people, aged 5 to 25 and over the past 15 years, raising the high-school graduation rate has been a major educational priority. Canada's main minus is its underperformance in the highest levels of skills attainment. Canada produces relatively few 'high-end' graduates with PhD's (see Annex 1. Fig 8).

Institutional framework

Canada is a very good example of sharing good basic requirements for starting a business. Its institutions are supporting the business environment, either local or foreign investors. Its

[3] Data according to Human Resources and Skills Development Canada, calculations based on Statistics Canada. Estimates of population, by age group and sex for July 1, Canada, provinces and territories, annual(CANSIM Table 051-0001); and Statistics Canada. Projected population, by projection scenario, sex and age group as of July 1, Canada, provinces and territories, annual (CANSIM table 052-0005). Ottawa: Statistics Canada, 2011.

institutions are ranked 11th in The Global Competitiveness Index 2012-2013, from a list of 144 countries, better ranked than its overall competitiveness index (14th). As well, the infrastructure occupies the 13th place in this index of 144 countries. Nevertheless, one of the most problematic factors for doing business in Canada is considered to be the inefficiency of government bureaucracy, while tax rates and tax regulations occupy the 5th and 6th place.

The strengths of Canadian institutional framework are represented by the *strength of investor protection* (no. 5 from the 144 list), the *judicial independence* (no. 5 from 144), the *strength of auditing and reporting standards* (6th of 144) and a *transparency of the government policymaking* (11th of 144)[4]. On the other side, taxes seem to pose most of the problems regarding opening a business in Canada. There are two sorts of taxations, given also the Canadian administrative context: both local (the province) and federal.

Banking sector

Although the banking sector in Canada is considered as the most efficient and safest in the world (Global Competitiveness Index), being ranked by the World Economic Forum 'as the world's soundest'[5], the third most problematic factor for doing business in Canada is perceived as the *access to financing.*

The strongest most powerful banks in Canada are referred to as the 'Big Six Banks', meaning National Bank of Canada, Royal Bank, The Bank of Montreal, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia and TD Canada Trust[6]. Altogether, these banks have managed to obtain $23.6 billion in profits during 2011[7]. This shows the ability of the banking sector to adapt to face challenges imposed by the recession, by the new regulatory changes and to offer stability to the economic environment.

Transport and telecommunication infrastructure

A well developed and efficient transportation infrastructure offers support to the business community. The overall quality of the infrastructure is ranked 15th by the Global Competitiveness Index 2012-2013, rather poorer than the overall rank of Canada at this competitiveness index (14th). As well, the quality of railroad infrastructure scores the 15th place. Close by, the quality of port infrastructure and the fixed telecommunication lines are ranked 16th from the 144 list of countries. A problem Canada shares is that of mobile telecommunication, it is the 111th in the world at this indicator, the high costs of having a mobile phone discouraging the increase of this sector.

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[4] The data is offered by The Global Competitiveness Index 2012-2013, pp.130-132.

[5] http://www.cba.ca/en/media-room/65-news-releases/536-good-news-for-all-canadians-world-economic-forum-again-ranks-canadas-banks-as-the-worlds-soundest- (February 2013).

[6] According to http://www.investopedia.com/terms/b/bigsixbanks.asp#axzz2KZAs6KLg (February 2013).

[7] According to PricewaterhouseCoopers, *Canadian Banks 2012. Perspectives on the Canadian banking industry*.

Chapter 2. Macroeconomic environment and economical development

This chapter is designed to provide a comprehensive image of the Canadian macroeconomic environment with a special focus on the evolution of main economic indicators during the post recession years.

In 2011 Canada was ranked the 11th largest economy of the world by the size of its GDP and 2nd largest in the North America geo-economic region according to the United Nations, International Monetary Fund, World Bank and CIA World Factbook (2000 -2012) with a GDP value of 1,736 billion US $. The Eurozone and United States occupy the first two places on top, the last being also the biggest trade partner of Canada. Canada enjoys a substantial trade surplus with the US, which absorbs about three-fourths of Canadian exports each year. Canada is the US's largest foreign supplier of energy, including oil, gas, uranium, and electric power[8].

During 2011, Canadian economy continued to strength, in a challenging international environment where United States and the EU grow by only 1.7 percent and 1.6 percent, respectively. With an economic activity impacted by external shocks as natural disasters in Japan and the in depth of the EU crisis, Canada's growth in 2011 was mainly driven by domestic strengths.

"Business investment and confidence rose and many new jobs were added during the year, carrying the employment level over the pre-recession peak. With the manufacturing sector still operating at roughly four fifths of its capacity, the Bank of Canada conducted an easy monetary policy that was not limited by concerns about inflationary pressures. One downside to the current prolonged period of low interest rates is Canada's record-high household debt, with the consumer debt-to-personal disposable income ratio now above 150 percent"[9].

In terms of Nominal GDP evolution *(see Figure 1, Chapter Annex 2)*, 2009 was one of the toughest years in the country economic history, marked by a contraction of -2.7 %. Still Canadians' effort and prudent economic policy helped them register next year a major increase up to a positive value of 3.2 %. The trend moderate for 2011 at 2.4 %.

Tabel 1. Source: http://databank.worldbank.org

	2009	2010	2011
Nominal GDP (current US$)	1,337,577,639,751.55	1,577,040,082,217.76	1,736,050,505,050.51
GDP growth (annual %)	-2.77	3.21	2.46

The GDP value of Canada represents 2.80 percent of the world economy.

8 https://www.cia.gov
9 *Canada's State of Trade: Trade and Investment Update 2012,* http://international.gc.ca

In the table above there are stated the nominal values of GDP evolution for the 2009 – 2011 period. As a result, taking price levels (or inflation) into account it helps a potential investor when making comparisons between different time periods. But adjusting the values for inflation and removing inflationary pressures we get to values, expressing the Real GDP and Real GDP Rate Growth.

"It measures progress or the rate of expansion of the economy's capacity to produce output (goods and services). It is examined as a measure of the short-term stability or instability of the Canadian economy. GDP growth is also reflective of the future consumption possibilities for the nation and is the main source of improvements to our standard of living over time. Economic growth occurs from accumulating human capital (knowledge and skills), investing in physical capital (factories, machinery and equipment) and the implementation of new technologies in the production process"[10].

For investors, Real GDP is the one indicator that says the most about the health of the economy and the advance release will almost always move markets. It is by far the most followed, discussed and digested indicator out there - useful for economists, analysts, investors and policy makers. The general consensus is that 2.5-3.5% per year growth in real GDP is the range of best overall benefit; enough to provide for corporate profit and jobs growth, yet moderate enough to not incite undue inflationary concerns.

Canada's real GDP contracted by 2.8 percent in 2009 in recession peak, but economic activity rebounded in 2010 with 3.2-percent growth. In 2011, real GDP continued to recover, but at a slower pace, increasing 2.46 percent for the year as a whole. For 2012, according to CIA Factbook, the GDP Real Growth Rate is situated at 1.9 %, registering a contraction of -0.5. (*See Figure 2 in the Chapter Annex*)

Another relevant aspect of Canada development is to look at GDP evolution through the purchasing power parity perspective (PPP). This gives the gross domestic product (GDP) or value of all final goods and services produced within Canada in a given year. "A nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries"[11]. The GDP (PPP) values have continuously rise from 1.277 billion in 2009 to 1,414 billion in 2011. Even with taught economic conditions, Canadians kept their investments activities to a confidence level, adding every more value to their services and products, increasing their competitivity as nation. (*See Figure 3, in the Chapter Annex*)

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[10] *Understanding GDP and Economic Growth, http://www.ic.gc.ca*
[11] *www.indexmundi.com*

Regarding the distribution of GDP PPP on population factor based on purchasing power parity (**GDP PPP/ capita**) is gross domestic product converted to international dollars using purchasing power parity rates, where an international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Canada increased in absolute values from 38.100 US$ in 2009 (the lowest level since 2007) to more than 41.000 US$ on 2011 overall. (*See the Figure 4, in the Chapter Annex).* The values were calculated as of 1st of July of every year.

In terms of nominal GDP values, the GDP per capita registered an increase from 39,656 US$ in 2009 to 2010 and 2011 of 46,212 US$ and 50,345 US$ respectively.

GDP also provide a detailed perspective of infrastructure and investment activity in Canada under the index of **Gross fixed capital formation** as a percentage (%) of GDP. It includes land improvement works, plant, machinery, and equipment purchases; the construction of roads, railways, and the like, including development of schools, offices, hospitals, private residential dwellings, commercial and industrial buildings and net acquisitions of valuables. According to the World bank statics, Canadian Gross Fixed Capital Formation saw an increase of 123 base points during 2009 – 2011 period from 21.32% to 22.54 % of GDP in 2011.

But, even if the overall economic evolution is positive and the business environment remains attractive, Canada has some particularities in terms of **GDP distribution by sectors.** Two thirds of the GDP is generated by the services sector while the 2nd place is occupied by industry with an estimate participation of 28.6 % (2012 estimation by CIA Factobook) and finally agriculture, with 1.8% of GDP. These figures clearly indicate a highly competitive service sector however the industry is a real contributor to GDP and one of the most developed in the region. Industrial activities have had a greater growth in goods production than in services production.

All goods-producing sectors grew in 2011, with utilities (up 4.4 percent) leading the way. The increase in natural gas distribution (up 6.5 percent) contributed the most to the growth in utilities. Electric power generation advanced 4.4 percent in 2011.

Growth in the mining, oil and gas extraction sector (up 4.3 percent) was close behind utilities, driven by oil and gas extraction, its dominant component, which increased 3.1 percent during the year.

The construction sector grew 4.1 percent during the year, driven by the 6.9-percent advance in engineering, repair and other construction activities.

A solid growth was registered in other areas, especially in machinery and metal manufacturing. Real output in machinery manufacturing expanded 16.3 percent and exceeded pre-crisis levels; output in computer and electronic product manufacturing expanded 5.5 percent; and output in electrical equipment, appliance and component manufacturing expanded 5.9 percent, all of these increases greater than in 2010.

Output in services, traditionally less volatile than output in goods, grew 2.2 percent overall.

Analysis of the expenditure components of GDP (Figure 5) shows that most of the GDP growth in 2011 was due to increased business expenditures, which contributed 1.79 percentage points to the increase in real output.

The bulk of the growth in business investment came from investment in machinery and equipment as the same pace as investments in non-residential structures (13.7 %).

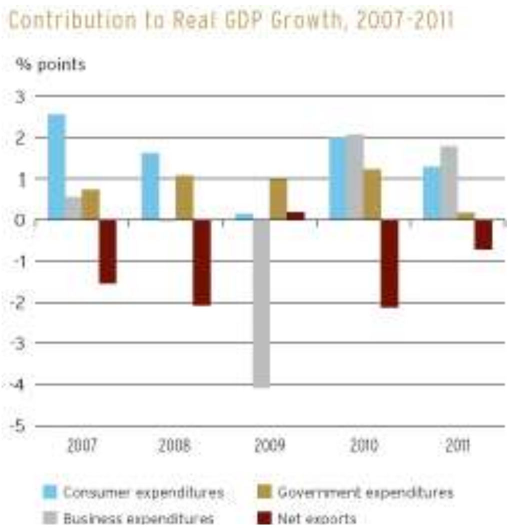

Figure 1. Source: http://international.gc.ca

Tabel 2. Source: WTO Secretariat

	2007	2008	2009	2010	2011
Consumer expenditures	2.563	1.624	0.143	2.014	1.288
Business expenditures	0.554	0.025	-4.083	2.073	1.787
Government expenditures	0.728	1.071	0.985	1.222	0.166
Net exports	-1.541	-2.071	0.187	-2.12	-0.719

Contribution to Real GDP Growth, 2007-2011

“Real personal expenditures on consumer goods and services slowed down in 2011, increasing only 2.2 percent. This added 1.29 percentage points to real GDP growth, a reduction from the 2.01-percentage point contribution the year before. Among major sectors, real consumer expenditures rose the most in the clothing and footwear sector in 2011, while furniture, furnishings and household equipment and maintenance was the slowest-growing of the major sectors.

Government contribution to the growth in real GDP was the lowest in five years, totalling 0.17 percentage point. Total government spending and investment grew only 0.5 percent in 2011. In the same time, **Government debt** maintained the same level in 2011 and 2012 (estimation of Intenational Monetary fund) of 85% of GDP, but increasing from 83.6% in 2009. (*See Figure 7 in the Chapter Annex*)

Real exports and imports of goods and services rose by 4.4 percent and 6.5 percent, respectively. Slower export growth slowed the contributions of exports to GDP to 1.33 percentage points in 2011, down from 1.83 percentage points in 2010. However, the negative contribution from growth in real imports decreased even more, from 3.95 percentage points in 2010 to 2.05 percentage points in 2011. As a result, trade was a drag on growth last year, but to a much lesser extent than in three of the previous four years: the net exports contribution was negative 0.72 percentage point last year, an improvement on the negative 2.12-percentage points contribution in 2010"[12].

Dividing the nominal GDP value by the real GDP value (nominal GDP adjusted by inflation) and multiplying by 100 we get the GDP deflator, also known as the implicit price index. It tracks the cost of all new, domestically produced, final goods and services in an economy relative to the purchasing power.

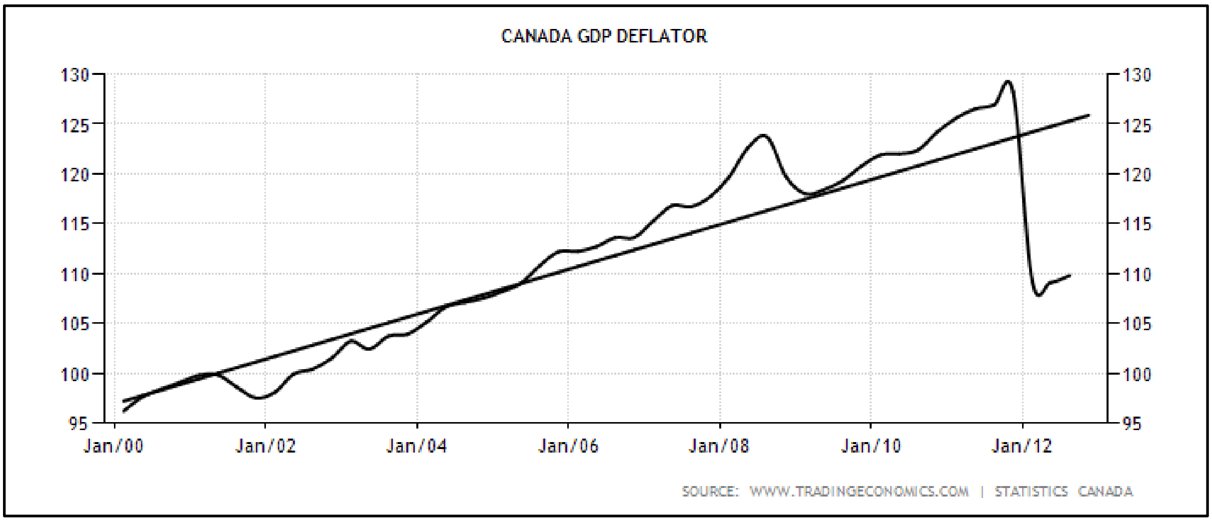

Figure 2. Canada - GDP Deflator

GDP Deflator in Canada increased to 109.80 Index Points in the third quarter of 2012 from 109.10 Index Points in the second quarter of 2012. Historically, from 1961 until 2012, Canada GDP Deflator averaged 66.84 Index Points reaching an all time high of 128.20 Index Points in November of 2011[13].

The exchange financial course evolution

Being the center of financial market, the Canadian dollar continued to strength its position against the US$ for the past two years (2010 – 2011), but declined by 0.8 % compared to Euro and 5.3 % compared to Japanese Yen. With the movements on monetary market, **inflation** another important indicator reveals the evolution of Canadian economy in terms of a general level of prices of goods and services in an economy over a period of time.

Inflation rose 2.9 percent over the course of 2011, following an increase of 1.8 percent in 2010, as reflected by the basket of goods and services used by Statistics Canada in the calculation of its Consumer Price Index (CPI). Faster inflation in 2011 was largely due to higher prices for

[12] *Canada's State of Trade: Trade and Investment Update 2012, http://international.gc.ca*
[13] *www.tradingeconmics.com*

gasoline and food items. The 2011 increase was slightly higher than the annual average growth rates observed in the early 2000s.

Tabel 3. Source: Statistics Canada

Year	Annual inflation rate
2012	1.5%
2011	2.9%
2010	1.8%
2009	0.3%
2008	2.4%

In the same time, inflation gives the measure of annual percentage change of Consumer Price Index (CPI). CPI is an indicator of the changes in consumer prices experienced by the target population. “The CPI measures price change by comparing, over the same period of time, the cost of a fixed basket of goods and services. This basket is based on the expenditures of the target population in a certain reference period, currently 2009. Since the basket contains goods and services of unchanging or equivalent quantity and quality, the index reflects only pure price movements”[14]). CPI is based on eight major components: "food", "shelter", "household operations, furnishings and equipment", "clothing and footwear", "transportation", "health and personal care", "recreation, education and reading", and "alcoholic beverages and tobacco products". Prices rose in all eight major components during the year, with transportation and food continuing to post the largest increases.

The rate of inflation was higher than last year in seven of the eight major components of the CPI.

Tabel 4.CPI Annual evolution. Source: Statistics Canada

Year	Annual
2012	121.7
2011	119.9
2010	116.467
2009	114.433
2008	114.092

The CPI for Canada is calculated and issued by the Statistics Canada. CPI data is calculated on a monthly basis and is usually released during the third week of the month around the 20th. Consumer Price Index (CPI) in Canada decreased to 121.20 Index Points in December of 2012 from 121.90 Index Points in November of 2012 *(See Figure 7 in the Chapter Annex).*

Trends in Canada CPI

On March 27, 2013, with the release of the Consumer Price Index (CPI) for February, Statistics Canada will publish an updated basket of goods and services.

This move implements one of the key objectives of the CPI Enhancement Initiative, a five-year program designed to improve the CPI's accuracy and relevance. Under these new measures, the basket will be updated every two years instead of every four years.

[14] www.investopedia.com

The CPI tracks price movements for a representative 'basket' of about 600 goods and services Canadians purchase over time. It is updated periodically to ensure that the CPI remains representative of consumer spending patterns. This is essential, as it is widely used as an indicator of the change in the general level of consumer prices, or the rate of inflation.

In addition, a revised weighting pattern for items in the basket will be published. The revised weights, indicating the relative importance of the basket items, are primarily determined by Statistics Canada's Survey of Household Spending. It collects information on the buying habits of about 20,000 Canadian households.

The new weighting pattern will be based on consumer spending in 2011. It replaces the current weights, which are based on spending patterns in 2009.

In addition, because of the Enhancement Initiative, the elapsed time between the basket weight reference year and the date at which the update is published has been shortened by three months. As a result, the CPI will have more current weights sooner, improving their representative nature.

Alternative indicators to assess the Canadian business environment

Growth Competitiveness Index (GCI) analyzes the potential of Canadian economy to sustain growth on medium and long term. The index is focusing on placing the development potential of a country in a world's top based on 12 different economic aspects of that economy. "To maintain competitiveness at this stage of development, competitiveness hinges mainly on well-functioning public and private institutions (pillar 1), appropriate infrastructure (pillar 2), a stable macroeconomic framework (pillar 3), and good health and primary education (pillar 4).

As wages rise with advancing development, countries move into the efficiency-driven stage of development, when they must begin to develop more efficient production processes and increase product quality. At this point, competitiveness becomes increasingly driven by higher education and training (pillar 5), efficient goods markets (pillar 6), efficient labor markets (pillar 7), developed financial markets (pillar 8), the ability to harness the benefits of existing technologies (pillar 9), and its market size, both domestic and international (pillar 10).

Finally, as countries move into the innovation-driven stage, they are only able to sustain higher wages and a higher standard of living if their businesses are able to compete by providing new or unique products. At this stage, companies must compete by producing new and different goods using the most sophisticated production processes (pillar 11) and through innovation (pillar 12)"[15].

[15] http://en.wikipedia.org/wiki/Global_Competitiveness_Report

The Canada competitiveness analysis is integrated in the Global Competitiveness Report, an annual publication issued by World Economic Forum.

As a four-year retrospective of North America region, Canada & US marked declining evolution.

Tabel 5. Global Competitiveness Index (North America)

Global Competitiveness Index (North America)						
Period	Canada (1 to 7 scale)	Rank	Tendency	USA (1to7 scale)	Rank	Tendency
2012 - 2013	5.27	14 (144)	⇩	5.47	7 (144)	⇩
2011 – 2012	5.33	12 (142)	⇩	5.43	5 (142)	⇩
2010 – 2011	5.30	10 (139)	⇩	5.43	4 (139)	⇩
2009 – 2010	5.33	09 (133)	N/A	5.59	2 (133)	⇩

According to the Global Competitiveness Report 2012 – 2013**,** Canada falls two positions to 14th place in this year's rankings. Although Canada continues to benefit from highly efficient markets (with its goods, labor, and financial markets), well-functioning and transparent institutions, and excellent infrastructure, it is being dragged down by a less favorable assessment of the quality of its research institutions and the government's role in promoting innovation through procurement practices. In a similar fashion, although Canada has been successful in nurturing its human resources compared with other advanced economies, the data suggest a slight downward trend of its performance in higher education, driven by lower university enrolment rates and a decline in the extent to which staff is being trained at the workplace[16].

Economic Freedom Index (by Heritage Foundation)

The economic freedom is an essential condition for any country economy has a sustainable development being related to all it concerns that economy: incomes, human development, democracy, value of services and goods, etc.

The economic freedom index is a compelled measurement of 10 main components grouped into four different areas such as: Rule of Law, Government intervention, Regulatory Efficiency and Open markets. Each of these 10 components are individually scored to a scale from 0 to 100 point and the average of scores gives the country total economic freedom indicator. Annually, the Heritage Foundation releases the Global Freedom Report.

According to 2013 index, Canada's score is 79.4, being ranked the 6th freest country in the world and first in North America Region[17]. *(See Figure 08 in the Chapter Annex).*

[16] http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf
[17] *http://www.heritage.org/index/country/canada*

Compared to its principal trade partner, US, Canada scores better on 3 main components of the index: Business freedom 91.7 vs 90.5 (Canada vs. US), Investment Freedom 75 vs. 70 and Fiscal Freedom 79.8 vs. 69.3. The Business freedom score is also the highest obtain by Canada.

The Corruption Perception Index (by Transparency International)

The Corruption Perceptions Index (CPI) ranks countries and territories based on how corrupt their public sector is perceived to be. It is a composite index – a combination of polls – drawing on corruption-related data collected by a variety of reputable institutions. The CPI reflects the views of observers from around the world, including experts living and working in the countries and territories evaluated.

The CPI scores and ranks countries/territories based on how corrupt a country's public sector is perceived to be. It is a composite index, a combination of surveys and assessments of corruption, collected by a variety of reputable institutions. The CPI is the most widely used indicator of corruption worldwide[18].

The 2012 CPI draws on data sources from independent institutions specialising in governance and business climate analysis. The sources of information used for the 2012 CPI are based on data gathered in the past 24 months. The CPI includes only sources that provide a score for a set of countries/territories and that measure perceptions of corruption in the public sector.

The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean. A country's rank indicates its position relative to the other countries and territories included in the index.

Canada historically ranked in the category of very clean countries: 2012 – 84 (Rank 9 / 176), 2011- 87 (Rank 10 / 182), 2010- 89 (Rank 6 / 178), 2009 – 87 (Rank 8 / 180), 2008 – 87 (Rank 9 / 180)[19].

Bribe Payers Index (BPI) (by Transparency International)

The Bribe Payers Index is a tool capturing the supply side of international bribery, specifically focusing on bribes paid by the private sector.

The 2011 Bribe Payers Index is the fifth edition of the index, ranking 28 of the world's largest economies according to the likelihood of firms from these countries to bribe when doing business abroad.

It is based on the results of Transparency International's 2011 Bribe Payers Survey. This asked 3,016 senior business executives in 30 countries around the world for their perceptions of

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[18] http://cpi.transparency.org/cpi2012/in_detail/

[19] *Global barometer of corruption /* *http://gcb.transparency.org/gcb201011/results/*

the likelihood of companies, from countries they have business dealings with, to engage in bribery when doing business in their country.

The Bribe Payers Index scores are anchored to the 0 – 10 parameters of the scale. A score of 0 corresponds with the perceptions of business people around the world that companies from that country always pay bribes when doing business abroad. A score of 10 corresponds with the perception that companies from that country never engage in bribery when doing business abroad. A score of 10 is therefore the highest that every country should aim for, as anything less than a 10 is an indication that companies from these countries are perceived to engage in bribery to some degree when doing business across borders[20]. In 2011, Canada scored 8.5 out of 10 maximum points, which placed her on the 6th in the Bribe payers index. (See Figure 9 in the chapter Annex).