

## CANADA

### Priorities supported by indicators

#### **Reduce barriers to foreign direct investment (2007, 2009, 2011)**

**Recommendations:** Reduce restrictions on foreign investment in the telecoms sector. Lift foreign ownership limits in air transport to complete the Canada-EU agreement and realise its potential benefits.

**Actions taken:** In 2010, foreign ownership restrictions were removed on satellites, and public consultations were held to lower them in telecoms. Legislation was approved in 2009 to raise the maximum foreign ownership limit on airlines from 25% to 49%, and regulations are being developed to complete the Canada-EU agreement for a transatlantic open aviation area.

#### **Reduce barriers to competition in network industries (2007, 2009, 2011)**

**Recommendations:** Reduce public ownership in the electricity sector and develop competitive retail and wholesale markets. Eliminate monopoly protections on Canada Post.

**Actions taken:** No action taken.

#### **Reform the tax system (2007, 2009, 2011)**

**Recommendations:** Make greater use of environmental, property or value-added taxes, and lower the corporate tax rate and personal income tax rates. Harmonise provincial sales taxes with the federal goods-and-services tax in remaining provinces.

**Actions taken:** The federal government will complete its series of corporate tax cuts in 2012. The provinces of Ontario and British Columbia replaced their sales taxes with the federal Harmonised Sales Tax in July 2010, but this move will be reversed in British Columbia by March 2013. The federal capital tax was abolished, and all provinces plan to eliminate theirs by 2012.

#### **Reduce barriers to inter-provincial competition in professional services (2007, 2009)**

**Recommendations:** Enhance inter-provincial mobility of professional services and trade occupations by fully implementing the Agreement on Internal Trade (AIT).

**Actions taken:** In 2009 the AIT was amended to mutually recognise occupational certifications across all regions. Additional agreements were introduced to further enhance mobility between certain provinces in 2009 and 2010.

### Other key priorities

#### **Reform the unemployment insurance system (2007, 2009, 2011)**

**Recommendations:** Reduce unemployment persistence and foster labour mobility by introducing employer experience rating into Employment Insurance or scaling back access for seasonal or temporary workers in high-unemployment regions.

**Actions taken:** No action taken.

#### **Improve R&D support policies (2007, 2011)**

**Recommendations:** Evaluate current R&D support policies and use the findings to re-design programmes to improve business sector innovation.

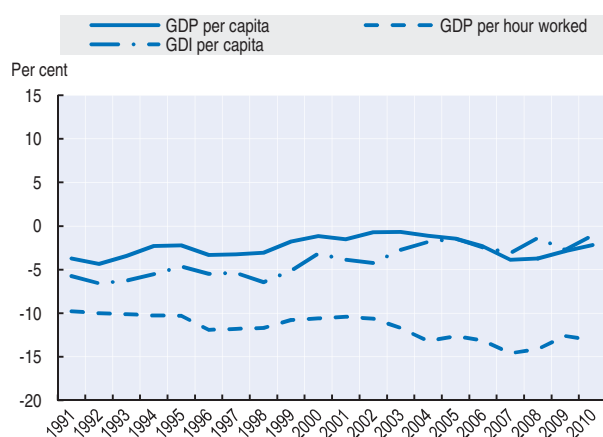
**Actions taken:** An independent expert panel was established in October 2010 to review federal support for R&D and recommend ways to improve its effectiveness by October 2011. In 2011, the government introduced a programme to fund joint college-university commercialisation projects and provide greater support for small firms to adopt key technologies.

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- The small GDP per capita gap relative to the upper half of OECD countries has persisted due to comparatively weak labour productivity.
- In priority areas, progress has been made in enhancing labour mobility, reducing effective corporate tax rates and lowering foreign investment restrictions, but little action has been taken to liberalise post and electricity.
- In other areas, the extended duration of unemployment benefits and job-sharing agreements helped cushion the effects of the crisis, and are now being phased out. Targeted labour market initiatives have helped improve work incentives and skills of older workers, aboriginal Canadians, recent immigrants and young people.

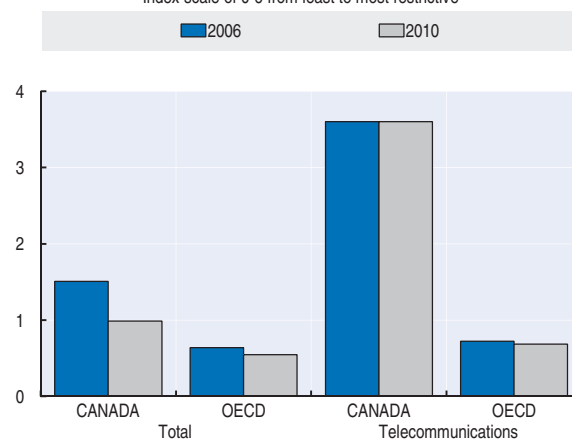
## Performance and policy indicators

**A. The small gap in living standards persists**  
Gap to the upper half of OECD countries<sup>1</sup>



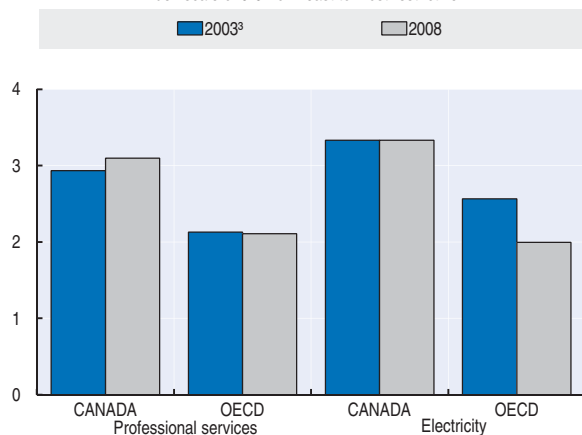
**B. Barriers to foreign direct investment have been reduced but remain comparatively high<sup>2</sup>**

Index scale of 0-6 from least to most restrictive

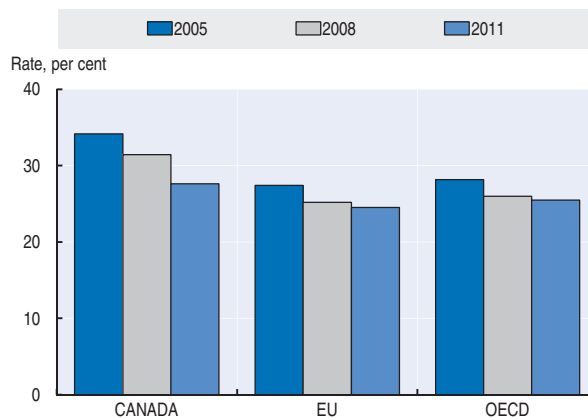


**C. There remains room for lowering barriers to competition in several sectors**

Index scale of 0-6 from least to most restrictive




**D. The corporate income tax rate has been reduced significantly and will be reduced further<sup>4</sup>**



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.
3. The OECD average excludes Chile, Estonia, Israel and Slovenia.
4. Combined central and sub-central (statutory) corporate income tax rate.

Source: Chart A: OECD, National Accounts and Economic Outlook 90 Databases; Chart B: <http://www.oecd.org/investment/index>; Chart C: OECD, Product Market Regulation Database; Chart D: OECD, Tax Database.

StatLink  <http://dx.doi.org/10.1787/888932565110>