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INVESTMENT MONITOR

# Canada-Asia Pacific Investment Trends



This report tracks major trends in two-way investments between Canada and the Asia Pacific in 2022 and forecasts possible investment trajectories for 2023



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## About the Asia Pacific Foundation of Canada

The Asia Pacific Foundation of Canada (APF Canada) is an independent, not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada.

APF Canada is dedicated to strengthening ties between Canada and Asia through its research, networking, convening, and education activities. Our research provides high-quality, relevant, and timely information, insights, and perspectives on Canada-Asia relations. Providing policy considerations and business intelligence for stakeholders across the Asia Pacific, our research work is anchored in the Canada-Asia Sustainability

Tracker (CAST), an interactive tracking and analysis tool that examines open-source materials from across Asia to provide greater situational awareness for Canadian stakeholders interested in the region's development. Our research work also includes regular Reports, Policy Briefs, Case Studies, Dispatches, Digital Media, and a weekly Asia Watch newsletter powered by CAST and its four areas of focus: Greater China, Southeast Asia, Northeast Asia, and South Asia. APF Canada also works with business, government, and academic stakeholders to provide Asia Competency training for Canadian organizations and students.

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# Key Findings

## National

- **Two-way foreign direct investment** between Canada and Asia Pacific economies **dropped sharply** in 2022.
- **China-Canada investment** continued its four-year **decline**, dropping to its lowest value since 2003.
- **Australia, Singapore, and India** were Canada's top three Asia-Pacific investment partners.

## Subnational

- Most Asia Pacific investment went to **Ontario**, although Toronto's share of Ontario's investment dropped in 2022.
- **New Delhi** (India) and **Tasmania** (Australia) were **among the top five** destinations for Canadian investment for the first time.

## Sectoral

- For five years and counting, the Canadian **mining sector** has continued to be the most attractive for Asia Pacific investors.
- The **software and computer services** sector, which attracted the most Canadian investment in the Asia Pacific in 2022, has ranked among the top 10 sectors for the past five years.

## Top Performers

- **Pension funds** were among top five Canadian investors in the Asia Pacific.
- The most significant investments by Asia Pacific firms were in Canadian **real estate, critical minerals, and electronic vehicle (EV) battery** manufacturing.

## Looking Ahead to 2023

- Two-way **investment flows** between Canada and the Asia Pacific are expected to **remain low** in 2023.
- Some sectors will benefit from **government policies encouraging FDI**, while restrictive investment policies on both sides of the Pacific **will hamper others**.
- We anticipate that Canada's **diversification of investment partners** will help Canadian firms to expand their footprint in the Asia Pacific.

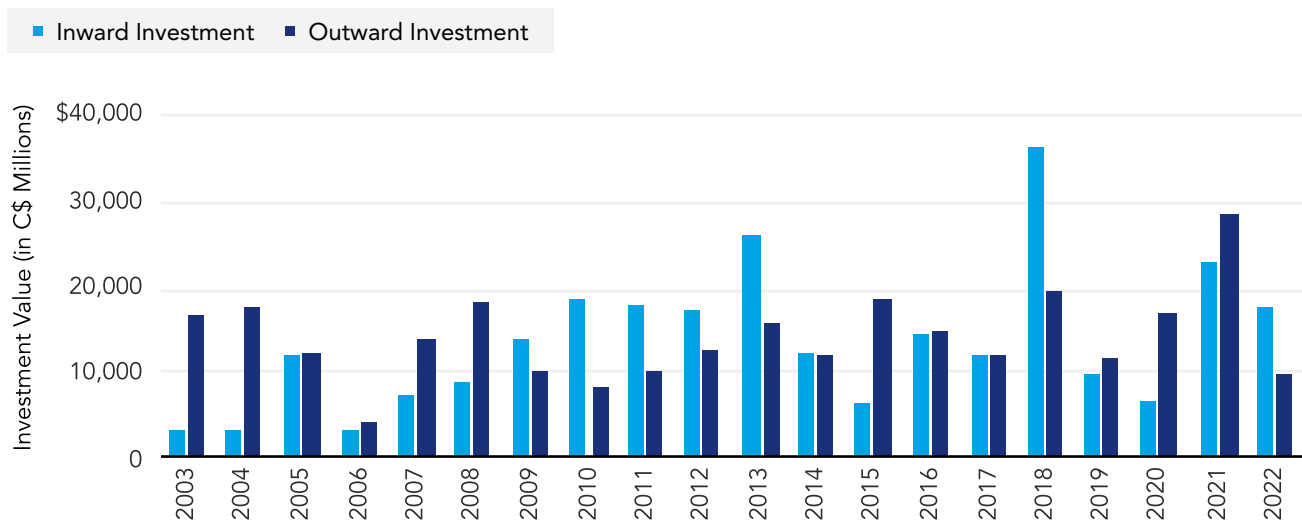
## Two-way foreign direct investment between Canada and Asia Pacific economies dropped sharply in 2022.

Two-way investment flows in 2022 stood at C\$27B, falling within the general average of C\$28B in yearly investment between 2003 and 2022, but remaining significantly lower than the C\$51B invested in 2021.

While both inward and outward investment declined in 2022, Canadian investors were less active in the Asia Pacific than Asia Pacific investors were in Canada. Dropping below the annual FDI average of C\$14B, Canadian companies invested only around C\$10B in the Asia Pacific last year (Figure 1). Inward FDI, meanwhile, reached nearly C\$18B. Canada's

[record-breaking inflation](#) rates and [forecasts of an impending recession](#) likely contributed to the decline in two-way investment. Yet, they were not the only factors contributing to the decline in FDI flows. Other factors, such as the perception of [regulatory uncertainty in Canada's mining sector](#) and a bleak global economic outlook – in the face of the [war in Ukraine](#) and [weakened supply chains](#) - have led to a slowdown in FDI flows as firms increasingly adopted a wait-and-see approach to investment.

Figure 1: Canada-Asia Pacific Investment, 2003-2022



Source: APF Canada Investment Monitor, fDi Markets (accessed March 2023)

## China-Canada investment continued its four-year decline, dropping to its lowest value since 2003.

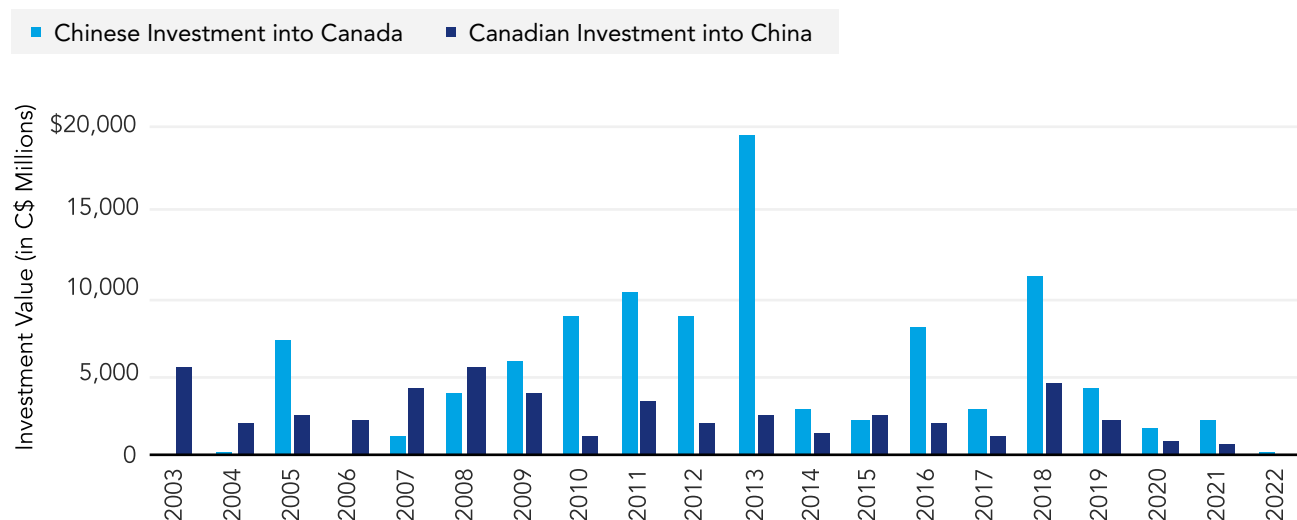
Investment diversification was the second characterizing feature of two-way investment flows in 2022. Since 2019, China has gradually lost its

position as Canada's largest FDI partner in the region due in part to the [political tensions](#) between Canada and China and China's [strict COVID-19 protocols](#).

In 2022, Canada-China bilateral FDI dropped to its lowest since 2003 (Figure 2); investment from China accounted for only 1% of total Asia-to-Canada FDI, and Canadian investment in China made up only

0.4% of Canadian outbound FDI in the region, well below the annual average of C\$13B between 2003 and 2021.

Figure 2: Canada-China Bilateral Investment, 2003-2022



Source: APF Canada Investment Monitor, fDi Markets (accessed March 2023)

## Australia, Singapore, and India ranked among Canada's top three investment partners in 2022.

Diversifying beyond China, in 2022, Canadian companies prioritized their investments in Australia and India, which have consistently ranked among the most attractive FDI destinations since 2011. Rounding out the top five investment destinations for Canadian investors in 2022 were New Zealand, Japan, and South Korea.

In terms of inward investment, the top five investors in Canada in 2022 were Australia,

Singapore, South Korea, India, and Japan. They displaced China from the top five rankings for the first time since 2006, with Singapore ranking among the top five for the fourth time since 2003. The data also demonstrate Canada's growing bilateral investment relationships with Australia, South Korea, and India.

# Subnational

Compared to 2021, Asia Pacific investors invested in more Canadian provinces, with Ontario being the largest recipient (Figure 3). In contrast, Canadian

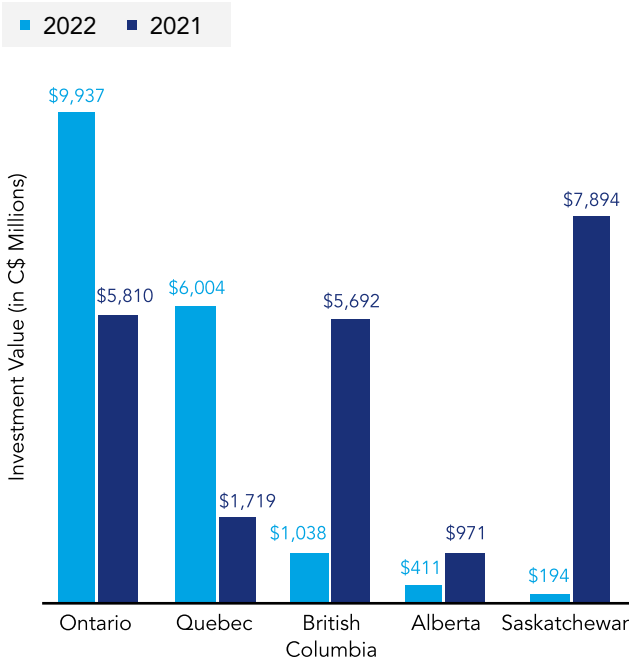
investors in 2022 invested in fewer economies in the region, with investment becoming more concentrated among select investment destinations.

## Inward FDI: Most Asia Pacific investment went to Ontario, although Toronto’s share dropped in 2022.

Ontario was the top destination for Asia Pacific FDI in 2022, followed by Quebec and British Columbia (Figure 3). The cities of Markham and Windsor received most of the C\$9.9B investment in Ontario, with C\$5.3B going to real estate (Markham) and C\$2.5B going to electric vehicle (EV) production (Windsor). Meanwhile, investment in Toronto dropped by 53% from 2021, with only C\$1.4B invested. This drop was due to decreased mining investment from China, which accounted for C\$1.6B of mining investment in Toronto in 2021. Mining investment from Asia Pacific economies moved to Quebec and British Columbia in 2022.

In Quebec, 78% of investment went to Montreal, while in British Columbia, 95% went to Vancouver. While the majority of investment in these cities went to mining, they also attracted video game and visual effects investment due to the increase in [post-pandemic demand](#) for television and film. Illustratively, India’s PhantomFX opened new studios in both cities, and New Zealand’s Wētā FX opened its first global studio in Vancouver.

Figure 3: Asia Pacific Investment in Canada by Province, 2021 vs. 2022



Source: APF Canada Investment Monitor, fDi Markets (accessed March 2023)

## Outward FDI: New Delhi (India) and Tasmania (Australia) were among the top five destinations for Canadian investment.

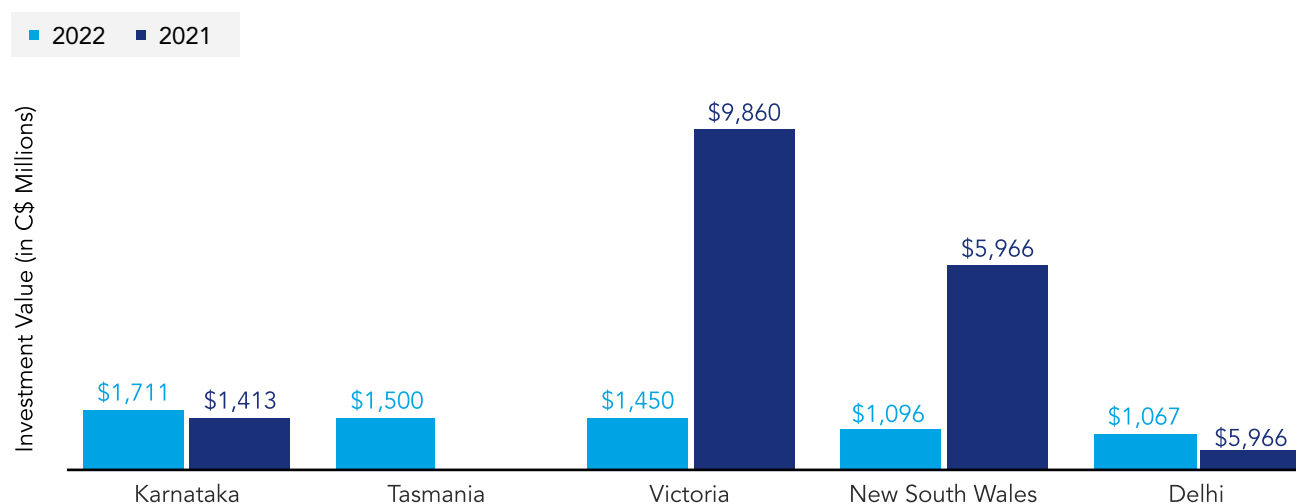
Alongside the decline in two-way China-Canada investments, Indian and Australian territories or states ranked among the top five destinations for

Canadian investment (Figure 4). Since 2020, Chinese provinces have been absent among the top five.

The leading recipient of Canada's FDI in the region, Bengaluru, the Indian state capital of Karnataka, received C\$1.7B, primarily in software. India's capital New Delhi received C\$1B, primarily in the construction and materials sector. The states of

Tasmania, Victoria, and New South Wales were the top Australian destinations. Tasmania's investment came from Canadian aquaculture firm Cooke Aquaculture Inc., which acquired Tassal Group for C\$1.5B.

Figure 4: Canadian Investment in the Asia Pacific by Province, 2021 vs. 2022



Source: APF Canada Investment Monitor, fDi Markets (accessed March 2023)

## Sectoral

### Inward FDI: The Canadian mining sector has continued to be the most attractive for Asia Pacific investors for five years and counting.

The Canadian mining sector attracted the highest volume of FDI from the Asia Pacific in 2022, bringing in around C\$6.5B (Figure 5). Australia accounted for 94% of the total investments in Canada's mining sector in 2022, with Montreal attracting 69% of FDI in mining from the region, the highest of any Canadian city. Asia Pacific investors also made substantial investments in real estate investment trusts, with a Markham-based

real estate investment trust receiving C\$5.3B from Singapore. The third-largest investment-recipient sector – automobiles and parts – brought in C\$3.1B in investments from South Korea, with 83% of this investment going to Windsor. The industrial breakdown has remained similar for the last five years, with mining constantly ranking among the top two investment recipient sectors.

Figure 5: Asia Pacific Investment in Canada by Sector, 2022

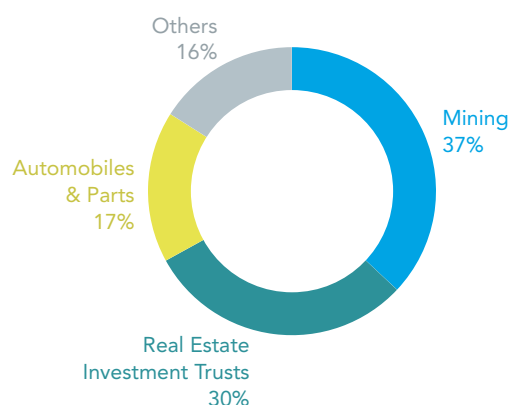
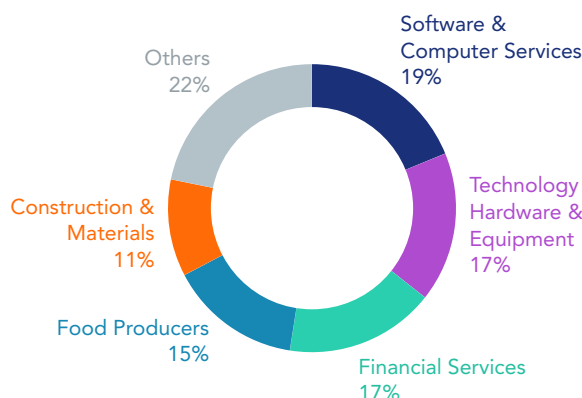


Figure 6: Canadian Investment in the Asia Pacific by Sector, 2022



Source: APF Canada Investment Monitor, fDi Markets (accessed March 2023)

**Outward FDI: The software and computer services sector, which attracted the most Canadian investment in the Asia Pacific in 2022, has ranked among the top 10 sectors for the past five years.**

In 2022, Canadian investors favoured the software and computer services sector in Asia (Figure 5). Canadian firms invested C\$1.8B in the sector, with 61% of this investment going to Bengaluru (formerly Bangalore), the tech capital of India. The technology hardware and equipment sector was the second-largest recipient of Canadian investment, receiving more than C\$1.6B. More than one-half of this investment went to Sydney,

Australia. The remaining investment went to Auckland, New Zealand's emerging tech hub, and Waterloo, Australia. The financial services sector was the third-largest recipient of Canadian FDI, receiving C\$1.6B in investments, 88% of which went to Melbourne. The real estate and industrial transportation sectors have remained among the top seven investment-recipient sectors in the Asia Pacific over the last five years.

## Top Investors

**Inward FDI: The most significant investments by Asia Pacific firms were in Canadian real estate, critical minerals, and electronic vehicle (EV) battery manufacturing.**

Asia Pacific investors in Canada made large investments in real estate, critical minerals, and EV battery manufacturing in 2022. The largest

investment, worth C\$5.3B, came from Singapore-based GIC, which acquired a Markham-based real estate investment trust. Australian mining giant

Rio Tinto was the second-largest investor, investing C\$5.2B in Canadian critical minerals. South Korean EV battery manufacturers — LG Corp and POSCO Chemicals – rounded out the top four investors with investments worth C\$2.6B and C\$512M in

Canadian EV battery supply chains. Canada’s critical minerals sector and EV supply chain are expected to attract more investment in 2023, supported by the Government of Canada’s [Critical Minerals Strategy](#) and [Indo-Pacific Strategy](#).

## Outward FDI: Pension funds were among the most active Canadian investors in the region in 2022.

The Canada Pension Plan Investment Board (CPPIB), the Caisse de dépôt et placement du Québec (CDPQ), and the Ontario Municipal Employees Retirement System (OMERS) ranked among the top five investors in the Asia Pacific in 2022. The CPPIB invested around C\$1.8B, with over 90% of this investment going into India’s real estate sector.

CDPQ invested C\$1.3B in the region, with most of this value going to India, and OMERS invested C\$901M in Australia. The dominance of pension funds in Canada’s outward FDI in the region has been a constant feature of Canadian investment since 2011 and is expected to grow in 2023.

## Looking Ahead to 2023

### Two-way investment flows between Canada and the Asia Pacific are expected to remain relatively low in 2023.

The post-COVID economic recovery in two-way FDI between Canada and Asia was short-lived, with 2022 cross-border investment falling below 2021 levels. This decline in FDI indicates corporations are becoming more cautious investors in response to shifting geopolitics, slow global economic growth, and downward economic pressures, exemplified

by high inflation rates and rising interest rates for borrowing. Following the current trends and in line with the United Nations Conference on Trade and Development’s [Global Investment Policy Monitor](#), we expect that 2023 investment between Canada and Asia Pacific economies will remain slow.

### Some sectors will benefit from government policies encouraging FDI, while restrictive investment policies will hamper others.

The anticipated 2023 slowdown will be pronounced in industries impacted by restrictive FDI regulations announced in 2022. In Canada, we expect a halt in real estate investment due to [a recently-announced ban](#) on FDI in residential property and a slowdown in investment by state-owned enterprises in Canada’s critical mineral projects due to [new guidelines](#). Given that the Canadian real estate

sector accounted for 30% of Asia Pacific FDI in 2022, we expect that the new ban on ownership in residential real estate will dampen FDI inflows. Canadian investors will also face FDI restrictions in the Asia Pacific, likely leading to delayed or failed investments. In Japan, we expect a slowdown in FDI in properties located on remote islands, close to critical infrastructure, and near defence

installations, as the [government released a directive to scrutinize](#) these types of investments. In New Zealand, investors planning to “[convert land into new production forestry](#)” will be subject to [closer review](#), while in the Philippines, defence-related industries and critical infrastructure investments will be [more closely screened](#).

We also anticipate growth in Canada-Asia Pacific FDI in countries with supportive investment policies. For example, the Philippines has eliminated the cap on foreign ownership above 40% in the renewable energy sector, allowing foreign investors

to assume complete control of renewable projects. The policy has already [attracted a commitment of \\$13.7B](#) from Chinese energy companies. [China](#) has also eased FDI restrictions in manufacturing, tourism, and elderly care in some cities. [Vietnam](#) and [India](#) have meanwhile opened their insurance sectors to FDI, with India allowing foreign investors to expand investment into the Life Insurance Corporation of India. And finally, [South Korea](#) introduced supportive FDI regulations to encourage high-tech investment and improve supply chains.

## **We anticipate that Canada’s diversification of investment partners will help Canadian firms to expand their footprint in the Asia Pacific.**

In addition to investment policies, multiple considerations will shape FDI dynamics in 2023, including the changing macro and micro economic environment and shifting global geopolitics. In such an environment, corporate investment decisions must balance internal expectations with external risks and opportunities, including the global push to diversify beyond China and move to neighbouring

countries in the region (“[China + 1 strategy](#)”). Economic diversification may increase Canadian investment in India and other regional economies. Yet, as our report indicates, turbulent economic times are linked with lower cross-border investment and diversification of investment destinations, which may further shape the 2023 FDI dynamics between Canada and Asia.

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