

3.7 Internationalization

We found that a striking number of the companies that we interviewed in 2000 and again in 2001 had become more internationalized during that short time. They had been acquired or merged with foreign companies, or had formed closer strategic partnerships with other companies overseas. It was suggested to us on several occasions that the traditional model of national mercantilism [whereby Canadian firms produced in Canada and sold as much product and services abroad as possible] was an out-dated model, and that our trade promotion stance needed some “intellectual spring cleaning”.

“Our ideas on economic value added are out-moded. For example, foreign direct investment by Canadian firms is not a loss to Canada but an essential part of generating economic value for Canadians.” [119]

3.8 Availability of Financing

A general lack of loan financing was not mentioned by any of our interviewees as an important constraint. Finding “good” [profitable] projects and winning them competitively is seen as difficult; but, if the project is profitable and won competitively, then attracting loan financing does not seem to be a major problem.

This does not mean that Canadian firms are immune to “subsidy races”. Price is always an issue in IFI projects in developing countries, and competitors sometimes have access to cheaper loan monies than do Canadian firms. This seems most often because the competitor is larger and better capitalized, and therefore has a better credit rating. Nevertheless, on occasion it can be a result of foreign government subsidization.

Two financial problems were mentioned related to capitalization of the Canadian firm – did it have “deep pockets”? First, small businesses sometimes complained that they could not afford to carry major projects through the first phase in which cash flow tends to lag behind the work. Second, larger businesses sometimes noted that their capitalization was not adequate to enable them to put equity investment at risk in major overseas projects.

In some cases, interviewees criticized Canadian firms in general for having a preference for sole source bids that can only be profitable with subsidization, and suggested that a greater willingness to compete for profitable projects needed to be nurtured.

“Canadian firms have a historical bent towards the path of least resistance, that is towards sole source bids for projects that can only be profitable with a subsidy from the Canadian government. This is changing. It is not true of the new economy, the IT sector. However many of the firms traditionally involved in the IFI markets, the ‘sole source culture’ is slow to change.” [305]