

Outward Investment: A Neglected Option?

The threat of heightened competition from Asian producers because of massive currency devaluation was discussed at some length. It was pointed out that many Asian producers, especially in the most severely affected economies, may not be able to take advantage of the lower currency if they also have high levels of foreign debt. Even companies without significant foreign debt exposure are being starved of trade credits, which makes it impossible for them to export. Yet, even if these companies go under, the assets previously under their control are likely to be acquired by other parties, probably international competitors, who will then be in a position to take advantage of the lower cost of production.

Indeed, many companies from industrialised countries are looking for bargains in the aftermath of the crisis. For some of them, the need to invest overseas may have as much to do with survival as it has to do with growth. Yet there has hitherto been little such discussion in the Canadian corporate sector. The unwillingness to look at Canadian outward investment as a response to the Asian crisis is consistent with Canada's weak foreign direct investment record in Asia and may have as much to do with government and public attitudes to outward investment as it has to do with corporate decisions.

The popular view of Canadian outward investment is that it exports jobs and returns little benefit to Canada. However, this view overlooks the potential for sizeable inflows of profit, royalty and dividend repatriation to Canada that may represent a more steady stream of income than export revenues based on commodity sales. Furthermore, outward investment can allow for a rationalisation of corporate functions which would tend to retain in high-value jobs in Canada such as strategic planning, finance, design and marketing, and research and development. There is probably more that government can do to correct the generally negative image given to outward investment.

From Commodity Mentality to Entrepreneurial Mentality

The problems facing the primary resource sector are a perennial issue for the BC economy, and to a lesser extent, the Canadian economy. BC's resource sector is