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Table 11

Sectoral Difference in Factors
Influencing the Location Decision*

	Important	Not important
Tariff barriers		
manufacturing	35%	65%
all other industries	6	94%
Non-tariff barriers		
manufacturing	30	70
all other industries	13	87

* At the time last investment was made

- There were significant increases in the importance of tariff and non-tariff barriers when firms were asked to rate them as at the time of their last investment and five years into the future, as follows:

Table 12

Changes in the Relative Importance of
Trade Barriers as Investment Factors

Factor	Importance at the time of the last investment*	Importance five years from now*	Percentage difference
Tariff barriers	19%	38%	19%
Non-tariff barriers	22	40	18

* Percentage of respondents rating the factor as very important or important.

- Seventy percent of the firms surveyed produced the same goods and services as their U.S. subsidiaries thus implying that licensing or exporting might have been possible. Licensing, however, was not even considered by 81% of the respondents.

- As for the choice between exporting or producing, higher Canadian production costs were perceived as a minor element in the decision to produce locally. Rather, overcoming trade barriers and most importantly, being close to the market appeared to be the governing factors for investment on the United States.

- Although, a priori, investment in the United States when exports are an alternative constitutes a loss to the Canadian economy, survey results pointed to a different conclusion. Survey data indicated that most production by Canadian subsidiaries in the United States was either sold locally or to third country markets where there was no competition with exports from the Canadian parent. Consequently, there was minimal displacement of employment or profits in Canada due to direct competition in the Canadian market.

- What about displacement of exports by the parent company to the US? As previously mentioned, 30% of firms surveyed had different product lines between th Canadian parent company and its American subsidiary of the 70% which did have similar products, more than half had never exported to the United States before establishing an affiliate there. In addition, 57% of these investing firms which had exported previously to the United States believed that their exports would have been smaller had they not set up a US operation while only 18% believed the contary.