parent company sales, employment and competitiveness. This is positive for the domestic labour market.

When ODI flows to developing countries, there is often a concern that the investment is undertaken as a result of "unfair" labour conditions resulting in unjustly low labour costs against which the home country cannot compete. However, labour, or access to low cost labour, is but one of a number of factors influencing a firm's decision to undertake foreign direct investment in any particular location. A recent report on U.S. manufacturing investment abroad concluded that only 30 per cent of U.S. investment projects abroad went to low wage countries.[4]

In reality, ODI does not seem to first seek out lower wage environments. The most important aspect for a multinational corporation in the early stages of venturing into a foreign market seems to be familiarity with the market, i.e., the similarity to its own home market and culture.[5] This is reinforced by the observation that most investment is confined within OECD countries, and (somewhat) by the trend towards regionalization. However, there is a popular belief that, as investment and trade become more integrated, wage rates in the industrialized world will fall to those of the lowest common denominator of countries. This need not be the case. Real wages reflect productivity, which is influenced by a variety of factors such as skill levels, education, working capital, health, etc.. Wage differentials can be preserved even within the same industry in different countries if, for example, production techniques differ such that they are labour intensive in one country and capital intensive in another.

There is, moreover, a misconception that every job created abroad by ODI is a job taken away from the home economy. This stems from a similar belief that every dollar invested in a foreign country takes one dollar away from the home country. An easy, but incorrect, calculation is that investment undertaken off-shore would have created an equal number of jobs domestically. This calculation does not take into account relative investment climates, and ignores other decisive factors, such as proximity to markets, or resource inputs. In the face of depleted domestic resource

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[4]Ernst and Young, *Global Investment by United States Manufacturing, A Review of 1992 Results.* p. 7. For a more complete survey of the investment and labour standards issue, see R. Stranks, "The New Jerusalem: Globalization, Trade Liberalization and Some Implications for Canadian Labour Policy", Department of Foreign Affairs and International Trade Policy Staff Paper No. 94/2 (February 1994).

[5]C. Taylor and G. Fosler, "The Necessity of Being Global", *Across the Board*, February 1994, p. 42.