Case Studies

Case #1: A wholly-owned foreign subsidiary of a Canadian company

A US-based company 100% owned by a major Canadian financial institution approaches a post in Eastern Europe with a request for information about an upcoming tender for the privatization of a telephone company. They have significant international experience in the field of privatization consulting, and want to be included in the tender process. They hope that some of their bankers from Canada and the US would be able to advise the local government on the privatization.

Is this a client of the TCS?

Answer: Yes

The benefits to the Canadian economy must be considered on a case-by-case basis. Although the contribution of a foreign affiliate to the Canadian economy may not be as significant as that of Canadian company, there are benefits (see below an excerpt from the Chief Economist's 2008 State of Trade Report that explains the impact of affiliates' sales). In this instance, it also became clear that the parent company would have submitted the request on behalf of its subsidiary, if service had not been provided. The appropriate service in this case would be the provision of key contacts that could provide information on the privatization plan. In the case of a high potential client, the post could be more proactive and call on its contacts to gather more information/leads for the client, involving, if required, the STC or HOM to achieve this. The post could also stay alert for business opportunities which fit the capabilities and interest of the client and communicate to the client any additional information/intelligence discovered later about the tender or other business opportunities.

The Chief Economist's 2008 State of the Trade Report indicated "Sales by foreign affiliates of Canadian businesses are equivalent to approximately three quarters of the value of Canadian exports of goods and services. These sales abroad are another measure of Canadian interests abroad, and bring important benefits to Canada. These benefits may come not only in the form of repatriated earnings, but also as a means of enabling entry into foreign markets, gaining access to new technologies and/or increasing competitiveness through entry into or development of value chains. These sales do not however have the same impact on the Canadian economy as exports in terms of jobs creation or contribution to Canadian economic growth."
For the full text, please click here.

Case #2 A Canadian company marketing its IP overseas

A Canadian company has conceptualized an innovative motor design for which it built a prototype. The company wants to sell its design, prototype and IP rights to anyone abroad interested in taking over ownership of the IP and bringing the design to the commercialization stage.

Is this a client of the TCS?

Answer: No.

While the company interested in selling its IP would stand to gain an immediate profit from receiving TCS assistance, overall, this transaction would not bring significant and lasting commercial benefit to Canada. All the downstream and more significant benefits associated with the commercialization of the intellectual property (initial investment, job creation, business growth) would be reaped by the foreign country where the products stemming from the IP would be manufactured and marketed. Since this is not in Canada's long term interest, the TCS must refrain from activities that would facilitate the sales of Canadian-grown innovation to foreign buyers which offer little or none of the downstream economic benefits of commercialization for Canada.