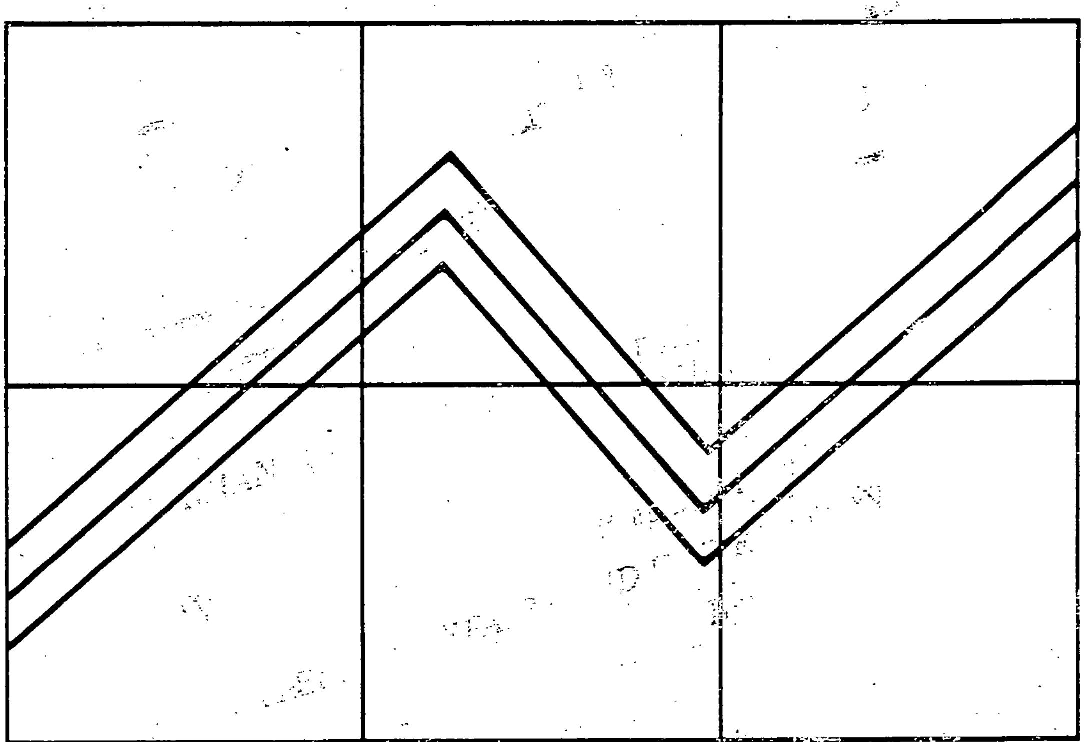
Nuala Beck & Associates Inc.

Economic and Capital Markets Consulting



Nuala Beck & Associates Inc.

OUTWARD BOUND

FINAL REPORT: JANUARY 12, 1993

CANADIAN DIRECT INVESTMENT ABROAD AND ITS IMPLICATIONS FOR CANADA

Prepared For:

EXTERNAL AFFAIRS AND INTERNATIONAL TRADE CANADA

By:

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INTRODUCTION

In a request for proposal dated November 25, 1991, External Affairs and International Trade Canada ("EAITC") outlined the suggested terms of reference for a CDIA research project. The NBA response contained in our proposal of January 17, 1992 offered a somewhat different perspective and this approach was accepted by EAITC and formed the basis of the contract dated February 3, 1992.

NBA specifically proposed that government's role and its existing mix of programs would be assessed in light of the corporate surveys and interviews conducted by NBA, rather than the TOR approach that proposed to assess government programs and policies before the survey of corporate needs had been undertaken.

Two sets of corporate interviews were undertaken: the first by telephone conference, the second largely in person interviews. The preferred approach would have been to conduct the initial set of interviews in the respective corporate offices. Due to time constraints, in part the result of rescheduling the Investment Counsellors' Tour, the decision was made to conduct the investigations by telephone. Subsequent to that and with the concurrence of EAITC, a number of companies were rescheduled and several personal interviews were completed. An additional 3 new firms were contacted; those results are also included herein. This second round of interviews were based on a revised questionnaire proposed by EAITC. The results largely confirmed the initial approach and findings.

New forms of government assistance that the private sector identified as being useful/desirable were largely financially oriented; i.e., cheaper financing via lower interest rates (Bank of Canada Policy); R&D credits (Department of Finance); bank lines of credit (The Bank Act and private sector bank lending practices). An analysis of the above extend beyond the scope of the present study.

The most significant finding of the study is that the private sector firms surveyed do not perceive a great need for government programs or for government to involve itself in CDIA. Consequently, NBA's proposed analysis in which "The evolving needs of Corporate Canada will provide the basis for identifying new government programs or modifications to existing programs that can assist Corporate Canada in its efforts to become more truly global in nature" is redundant.

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Required deliverables include the following:

1. Executive Summary (revised and updated)

2. Outward Bound - Major Report (revised and updated)

3. Appendix A

4. Appendix B

5. IBM Data Diskette formatted to Lotus 1-2-3.

Please note that Investment Canada and Statistics Canada data have been updated to include the second quarter of 1992, the most recent period for which data is available. As requested, a more detailed economic impact analysis has been provided, together with the list of government programs referenced in our research. We have clarified the linkage between concentration of CDIA and "the new economy".

We have also included a synopsis of the interviews which we conducted in Washington, D.C. during the week of December 7th, 1992. The purpose of these meetings was to determine the extent that foreign government programs and policies exist to facilitate direct investment abroad by their own nationals.

We are familiar with the U.S. study entitled "Rates of Return on Direct Investment". Two major NBA studies entitled *"Who Owns America? Foreign Direct Investment and the Globalization of Capital"*, 1987, and *"Foreign Direct Investment: A Global Shift in Corporate Power"*, 1988, explored some of these same themes. We would be pleased to provide you with copies of these studies for your reference.

I trust that the above meets with your approval.

Yours truly,

Stan MacLellan

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EXECUTIVE SUMMARY

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Summary and Conclusions

The rationale for Canadian Direct Investment Abroad is changing. It is no longer accurate for Canadians to believe that Canadian investment abroad represents simply an attempt by Canadian companies to lower their costs, or reduce their taxes, or circumvent Canadian legal or regulatory frameworks.

In the new economy of the 1990's, a new strategic imperative has arisen -- and Canadian companies are responding to the new challenges of the global marketplace via outward bound investment. The challenge clearly is to internationalize, and in so doing, to become big -- and smart -- and strong, and in the jargon of the 1990s, to become a truly "global player".

Historical Perspective

According to data compiled by Statistics Canada, Canadian Direct Investment Abroad reached a cumulative level of $92.6 billion in 1991, compared to a level of $86.7 in 1990. This represents a 6.8% increase on a year-over-year basis, slightly slower than the 7.2% year-over-year increase reported in 1990 and indicates that $5.9 billion in additional CDIA occurred in 1991. On the quarter, CDIA registered flows of $3.4 billion in 2Q92 (annualized) from $3.8 billion in the preceding quarter.

It came as no surprise that $55.4 billion, or 59.8% of Canada's cumulative CDIA was accounted for by the United States by year end 1991, and that it had been primarily concentrated within the Manufacturing sector. The second largest target of CDIA has historically been the United Kingdom, where $12.0 billion, or 13.0% of total CDIA has taken place through time.

While the dollar level of Canadian Direct Investment into Japan remains low, CDIA into Japan in 1991 rose by 125.0% on the year, to reach a level of $1.8 billion by year end 1991.

Current Investment Activity

A detailed analysis of investment activity by Canadian companies compiled by Nuala Beck & Associates Inc. reveals that:

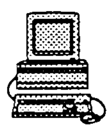
- *A total of 154 Canadian Direct Investments Abroad took place between January 1990 and December 1991; 107 investments were made in 1990 and the remaining 47 investments were made in 1991. The number of investments declined in 1991 due primarily to the recession.*

- *17 foreign countries were targeted in 1990, while 8 foreign countries were targeted in 1991. The U.S. remained the primary target of Canadian investment activity.*

- *Ontario companies ranked as the primary investor abroad between 1990 and 1991, with a total of 92 investments (or 59.7% of the total originated from that Province).*

CDIA and The New Economy™

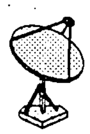
Canadian industries targeted their CDIA investment activity heavily within the New Economy™, and in particular, within the Four New Engines of growth:



- *Computers and Semi-Conductors*

- *Instrumentation*

  - *Industrial Instruments for measurement, display & control of process variables*
  - *Automatic Controls for regulating Residential & Commercial environments & appliances*
  - *Industrial & Commercial Machinery & Computer Equipment*
  - *Internal Combustion Engines, nec*
  - *Speed Changers, Industrial High-Speed Drives & Gears*

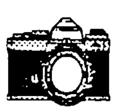


- *Health & Medical*

  - *Skilled Nursing Care Facilities*
  - *Health/Medical Research*

- *Communications and Telecommunications*

  - *Cable and Other Pay TV Services*
  - *Communication Equipment*
  - *Radio & TV Broadcasting*
  - *Telephone & Telegraph Apparatus*
  - *Communication Services*



Of the 154 Canadian Direct Investments made between January 1990 and December 1991, over 50% were in New Economy™ industries.

Economic Implications

The structure of the Canadian economy is changing rapidly and CDIA is part of that change process as Canada evolves into a high knowledge intensive -- global participant in The New Economy™ of the 1990s and beyond.

- There is no evidence to suggest that CDIA has limited Canada's job creating ability given the impressive job creation record of Canada's high knowledge intensive industries. Over the period 1984-1H92 high knowledge intensive industries created 477,918 net new jobs in Canada. Jobs in high knowledge intensive industries are not easily transferred abroad to low knowledge intensive jurisdictions.

- Foreign earnings account for 12% of total corporate profits in Canada and have been an important contributor to the overall profitability of the Canadian economy since 1975. CDIA has raised the level of corporate profits in Canada compared to what otherwise would have been the case.

- It is difficult to isolate the role of CDIA in the current recession. The Canadian economy is undergoing structural changes on many fronts - free trade; a transition to a low inflation environment; currency realignments; and technological change across a broad base of industries.

- Nonetheless, the 1991-92 downturn in before-tax profits, industrial production and the number of Canadians unemployed confirm that this recession is not as severe as the 1981-82 recession. In 1982 foreign earnings accounted for 12.5% of before-tax profits, compared to 15.0% in 1991.

- In both recessions foreign earnings cushioned the Canadian economy's slide into recession.

Role of Government

We found fewer companies than we had anticipated who were using or were directly aware of government programs that could be helpful in facilitating their investment activities abroad. The most significant finding of the study is that the private sector firms surveyed claim not perceive a great need for government programs or for government to involve itself in CDIA. In addition:

- *The majority of companies interviewed stated that they were not familiar with, nor did they use, any government programs to facilitate their foreign investment.*

- *It was not uncommon for interviewees, when queried about their use of Canadian Government programs, to respond that no government programs have been used "because we're not familiar with any".*

- *When companies were asked whether, in their opinion, the Canadian government provided useful analyses of market conditions in their target markets abroad, most responses were negative. A minority believed the Canadian government provided some useful analyses.*

- *A significant number did visit the Canadian Embassy or Consulate in the course of their investment activities.*

- *Survey respondents were in contact with Foreign Governments at a slightly higher rate.*

- *Local political and business contacts were clearly more important to survey respondents. The majority felt that local political and business contacts were either very important or moderately important in their investment activities. This was predominantly the case among medium and small companies.*

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INVESTMENT TRENDS AND THEIR IMPACT ON CANADA

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PART I

AN OVERVIEW OF CANADIAN DIRECT INVESTMENT ABROAD AND FOREIGN DIRECT INVESTMENT INTO CANADA

CANADIAN DIRECT INVESTMENT ABROAD

An Overview

According to data compiled by Statistics Canada, Canadian Direct Investment Abroad reached a cumulative level of $92.6 billion in 1991, compared to a level of $86.7 in 1990. This represents a 6.8% increase on a year-over-year basis, slightly slower than the 7.2% year-over-year increase reported in 1990 and indicates that $5.9 billion in additional CDIA occurred in 1991. On the quarter, CDIA registered flows of $3.4 billion in 2Q92 (annualized) from $3.8 billion in the preceding quarter.

It came as no surprise that $55.4 billion, or 59.8% of Canada's cumulative CDIA was accounted for by the United States by year end 1991, and that it had been primarily concentrated within the Manufacturing sector. The second largest target of CDIA has historically been the United Kingdom, where $12.0 billion, or 13.0% of total CDIA has taken place through time.

While the dollar level of Canadian Direct Investment into Japan remains low, CDIA into Japan in 1991 rose by 125.0% on the year, to reach a level of $1.8 billion by year end 1991.

Based on 1990 data, CDIA activity has historically been broken down as follows:

- *North America accounted for $59.3 billion, or 68.3% of total CDIA. The three largest recipients were the United States, followed by Bermuda, and the Bahamas.*
- *South and Central America accounted for $2.2 billion, or 2.5% of total CDIA.*
- *Europe accounted for $18.4 billion, or 21.2% of total CDIA. The three largest recipients were the United Kingdom, followed by France and the Netherlands.*
- *Africa received $0.19 billion, or 0.2% of total CDIA.*

- *Asia/Oceania accounted for $6.7 billion, or 7.7% of total CDIA, the largest recipients being Australia and Singapore.*

As a corollary, Foreign Direct Investment into Canada reached a cumulative level of $130.2 billion in 1991, compared to a level of $125.3 billion recorded in 1990. This represents a 3.9% increase on a year-over-year basis in 1991, compared to an increase of 4.8% in 1990.

PART II

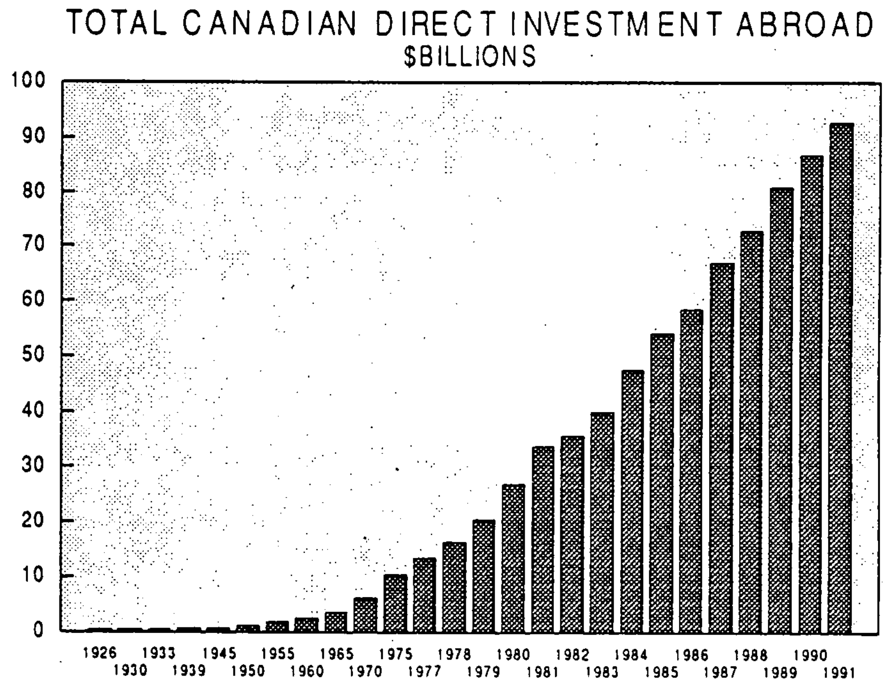
CANADA'S INVESTMENT ENVIRONMENT

Historical analysis has been based on annual data to 1991. 1992 data is not yet available. Quarterly data to 2Q92, however, reveals that:

- *In 2Q92, CDIA registered flows of $3.4 billion (annualized) from $3.8 billion in 1Q92.*
- *While CDIA flows in 2Q92 were $0.4 billion (annualized) lower than in 1Q92, they remain $0.5 billion above their levels in 3Q91.*

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct Investment Abroad



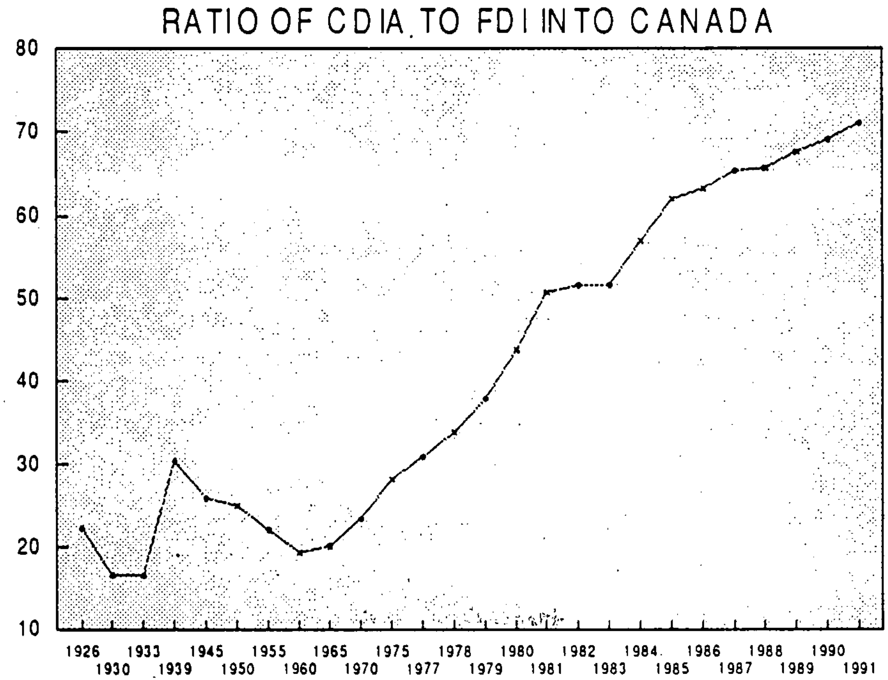
- CDIA has accelerated since the mid-seventies. Between 1975 and 1991, the level of CDIA increased by over $80 billion.

- In 1991, CDIA rose to $92.6 billion, up from $86.7 billion in 1990.

- Despite the recession, CDIA has continued, as Canadian corporations focused on the need to either become or remain globally competitive.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct Investment Abroad

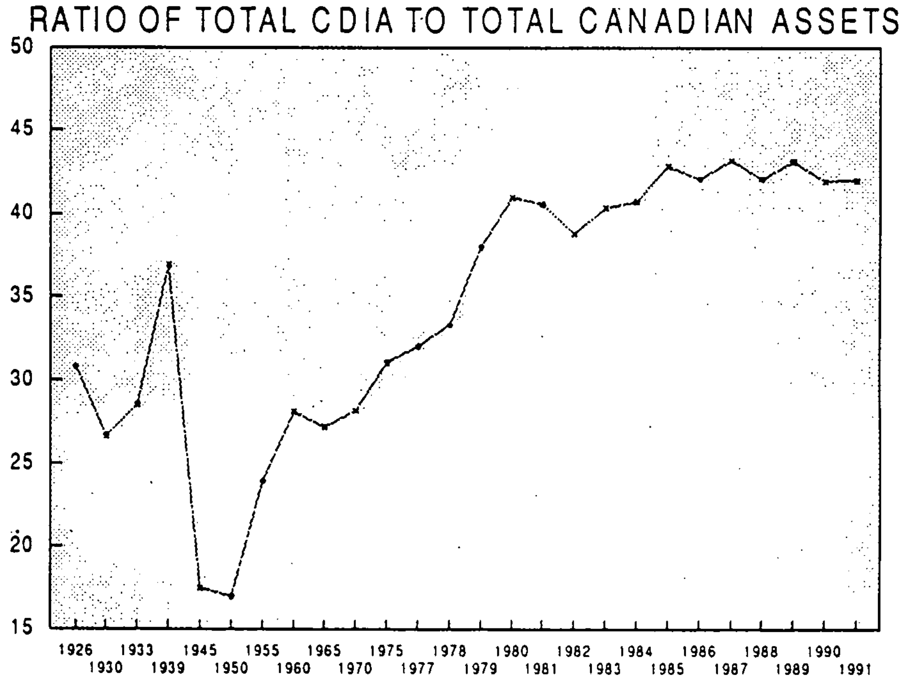


- Based on cumulative data the ratio of Canadian Direct Investment Abroad to Foreign Direct Investment into Canada has risen at an impressive pace.

- This ratio has risen from 22.2% in 1926 to 71.1% in 1991.

- The sharp rise in this ratio indicates the extent to which Canadian companies are aggressively internationalizing their operations and are rapidly approaching the level of Foreign Direct Investment into Canada.

Canadian Direct Investment Abroad



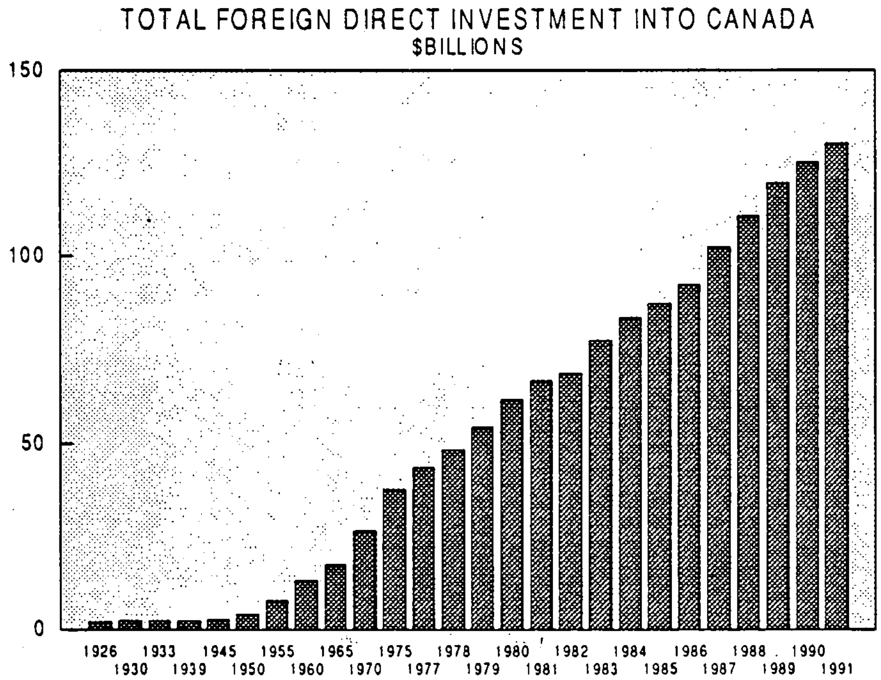
- Canada's international assets include Direct Investment Abroad; Portfolio Investment Abroad; Other debt; Loans and subscriptions, Government of Canada, direct and enterprises; Official International reserves; Canadian banks' net foreign currency asset position; Non-bank deposits; Allowances; and Other Assets.

- In 1991, total Canadian Direct Investment Abroad accounted for 42.0% of total Canadian Assets.

- The ratio of total CDIA to total Canadian International Assets rose consistently between 1950 and 1980. Since 1980, the ratio has remained fairly stable, hovering at the 40.0% mark.

CANADA'S INVESTMENT ENVIRONMENT

Foreign Direct Investment Into Canada

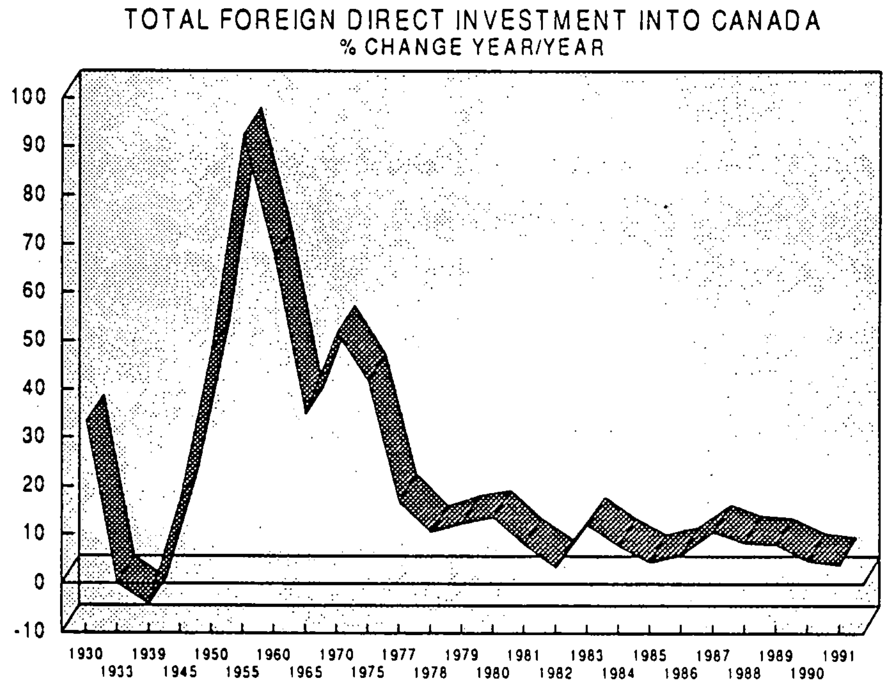


- Foreign Direct Investment into Canada registered $130.2 billion on a cumulative basis in 1991, compared to $125.3 billion in 1990.

- Foreign Direct Investment into Canada has risen steadily since 1950, but since 1965 has been outstripped by Canadian Direct Investment Abroad.

CANADA'S INVESTMENT ENVIRONMENT

Foreign Direct Investment Into Canada



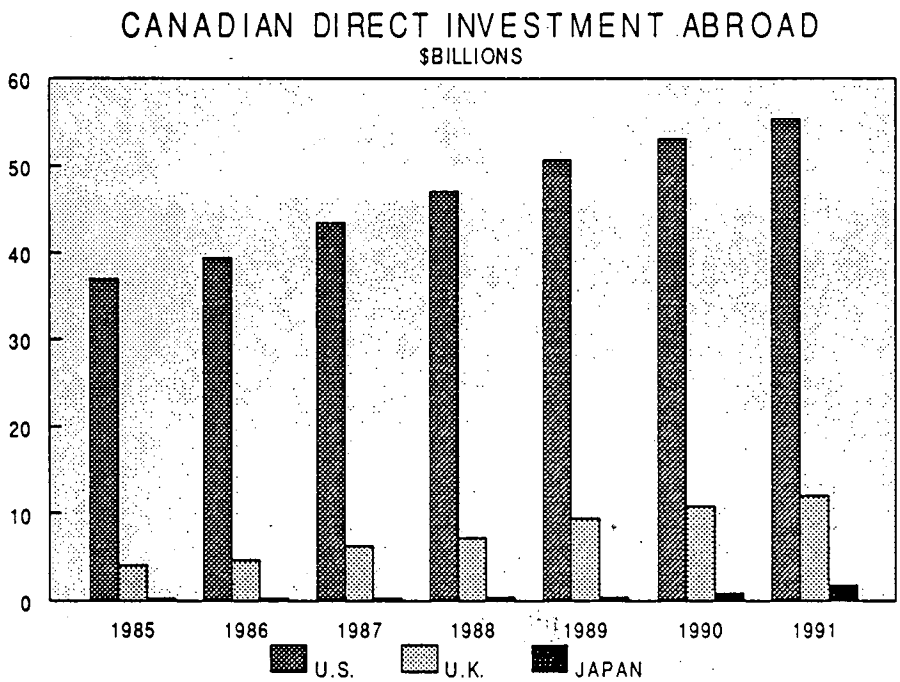
- Foreign Direct Investment into Canada rose by 3.9% (or by $4.9 billion) on the year in 1991, compared to an increase of 4.8% in 1990.

- As with CDIA, growth in Foreign Direct Investment into Canada has slowed since 1975.

- Foreign Direct Investment into Canada grew by 3.9% (or $4.9 billion) on a year-over-year basis in 1991, compared to an increase of 6.8% (or $5.9 billion) for CDIA.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct Investment Abroad



- It came as no surprise that by 1991 the lion's share of CDIA had taken place in the United States. The second largest target of CDIA has been the United Kingdom historically.

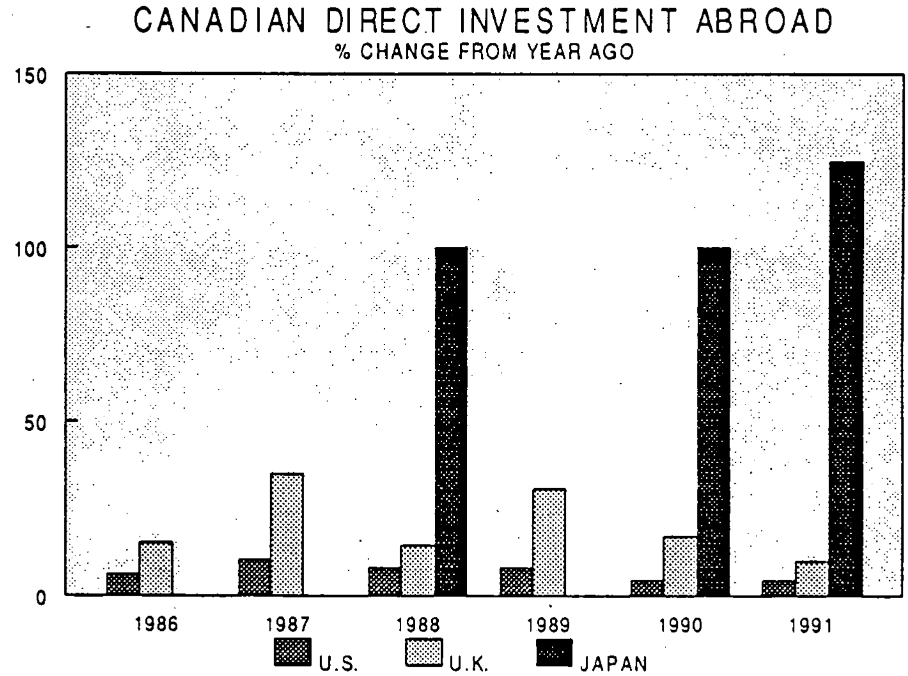
- CDIA into the U.S. registered $55.4 billion by 1991, compared to $53.1 billion by 1990 for an increase of $2.3 billion.

- CDIA into the U.K. registered $12.0 billion by 1991, compared to $10.9 billion by 1990 for an increase of $1.1 billion.

- CDIA into Japan registered $1.8 billion in 1991, compared to $0.8 billion in 1990.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct Investment Abroad



- CDIA into the United States rose by 4.3% on the year in 1991, compared to an increase of 4.5% in 1990. While the lion's share of CDIA has always taken place in the U.S., growth of CDIA into the U.S. has decelerated in recent years. In 1987 CDIA into the U.S. rose by 10.4% on the year. Since that time, the increase of CDIA into the U.S. has virtually been cut in half.

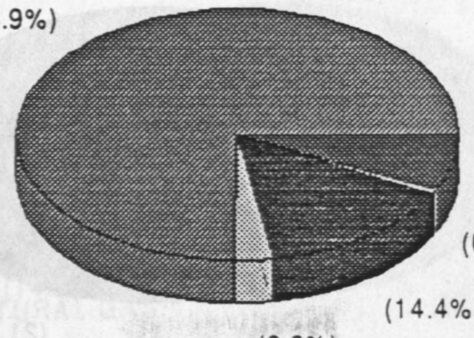
- The same holds true for the U.K. CDIA into the U.K. rose by 10.1% on the year in 1991, compared to 17.2% in 1990, and 31.0% in 1989.

- CDIA into Japan has remained fairly volatile. It rose by 125.0% on the year in 1991, compared to an increase of 100.0% in 1990, but from a very small base.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct Investment Abroad

TOTAL CANADIAN DIRECT INVESTMENT ABROAD
BY REGION: % OF TOTAL; 1985

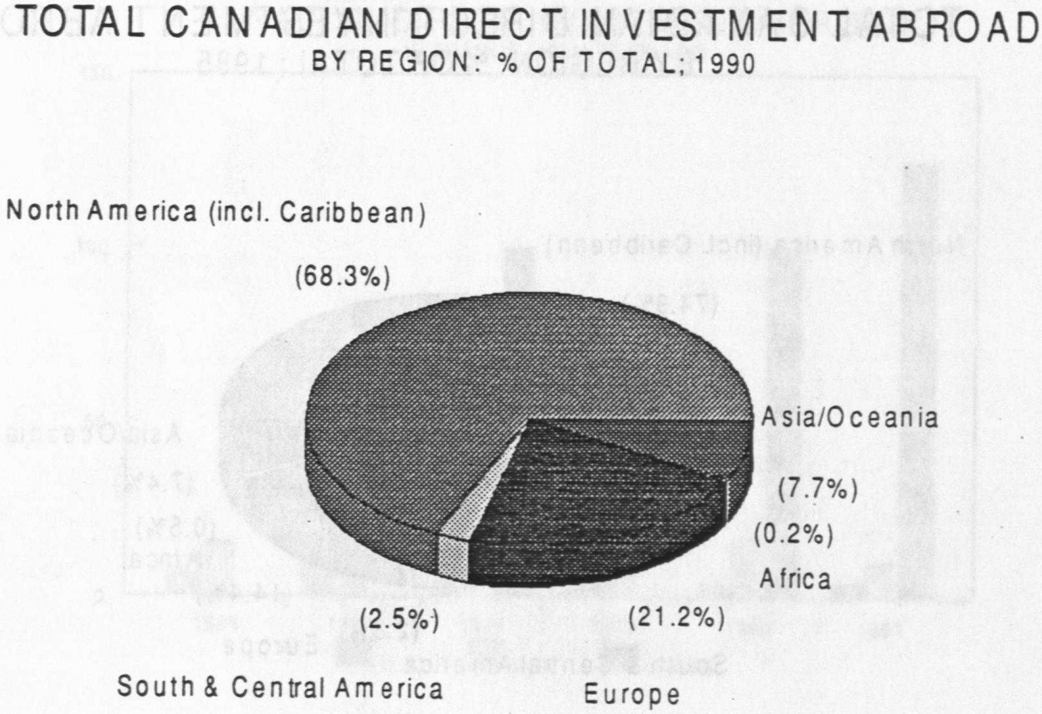


1985

- By 1985, the lion's share (or 74.9%) of total CDIA had taken place in North America. The three largest recipients were the U.S., followed by Bermuda and the Bahamas.

- Europe received 14.4% of total CDIA by 1985, the majority being placed in the U.K., Ireland and Switzerland. South and Central America received 2.8% of total CDIA by 1985, the majority being placed in Brazil. Africa received 0.5% of total CDIA by 1985. Asia/Oceania received 7.4% of total CDIA by 1985. The three largest recipients were Indonesia, Australia, and Singapore.

Canadian Direct Investment Abroad



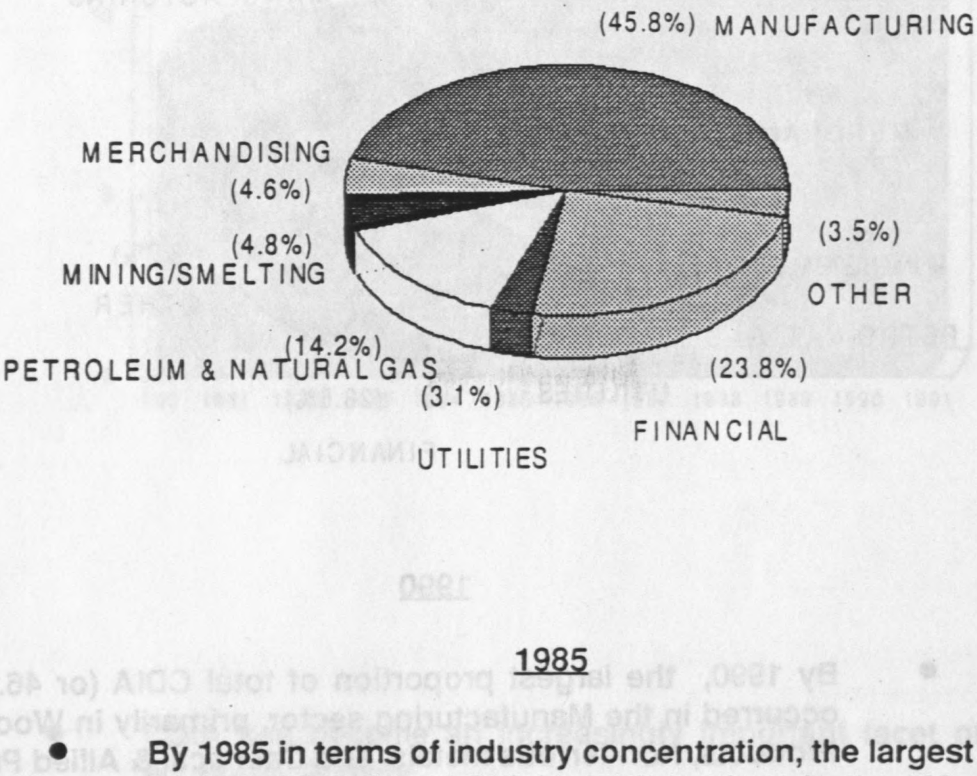
1990

- By 1990, the majority (or 68.3%) of total CDIA had taken place in North America. The three largest recipients in North America were the United States, followed by Bermuda, and the Bahamas.

- South & Central America had received 2.5% of total CDIA, the largest recipient being Brazil. Africa received a mere 0.2% of total CDIA by 1990. Europe received 21.1% of total CDIA, the largest recipients being the U.K., France, and the Netherlands. Asia\Oceania received 7.7% of total CDIA by 1990, the largest recipients being Australia and Singapore.

Canadian Direct Investment Abroad

TOTAL CANADIAN DIRECT INVESTMENT ABROAD
BY INDUSTRY: % OF TOTAL; 1985



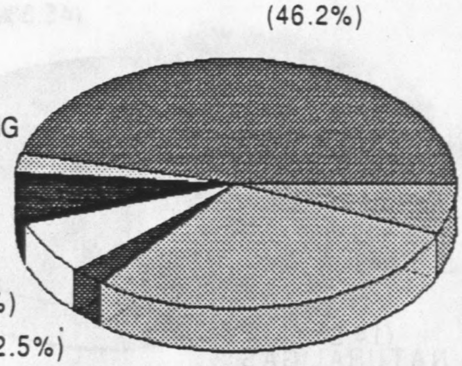
1985

- By 1985 in terms of industry concentration, the largest proportion of total CDIA (or 45.8%) had taken place in the Manufacturing sector in Non-ferrous metals, followed by Chemical & Allied Products, and Wood & Paper Products.

- Investment into the Financial Industry by 1985 accounted for 23.8% of total CDIA, followed by Petroleum & Natural Gas (14.2%). The Mining/Smelting sector had received 4.8% of total CDIA by 1985, followed by Merchandising (4.6%) and Utilities (3.1%)

Canadian Direct Investment Abroad

TOTAL CANADIAN DIRECT INVESTMENT ABROAD
BY INDUSTRY: % OF TOTAL; 1990



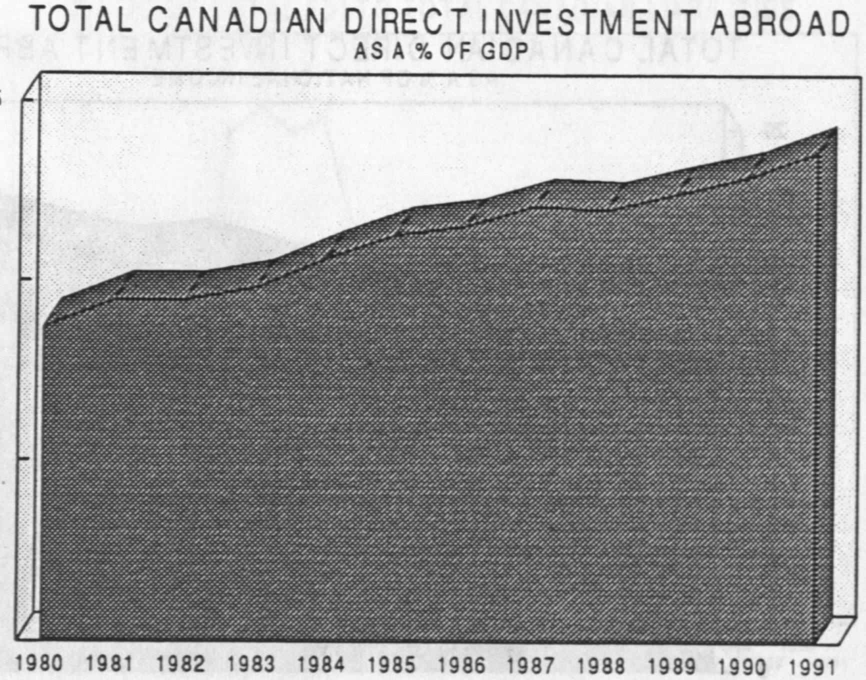
<u>1990</u>

- By 1990, the largest proportion of total CDIA (or 46.2%) had occurred in the Manufacturing sector, primarily in Wood & Paper Products, Non-ferrous metals, and Chemical & Allied Products.

- The Financial sector had received 28.6% of total CDIA. Petroleum & Natural Gas received only 6.9% in 1990, compared to 14.2% by 1985.

- Mining & Smelting accounted for 6.6% of total CDIA by 1990, followed by Merchandising (2.5%) and Utilities (2.5%).

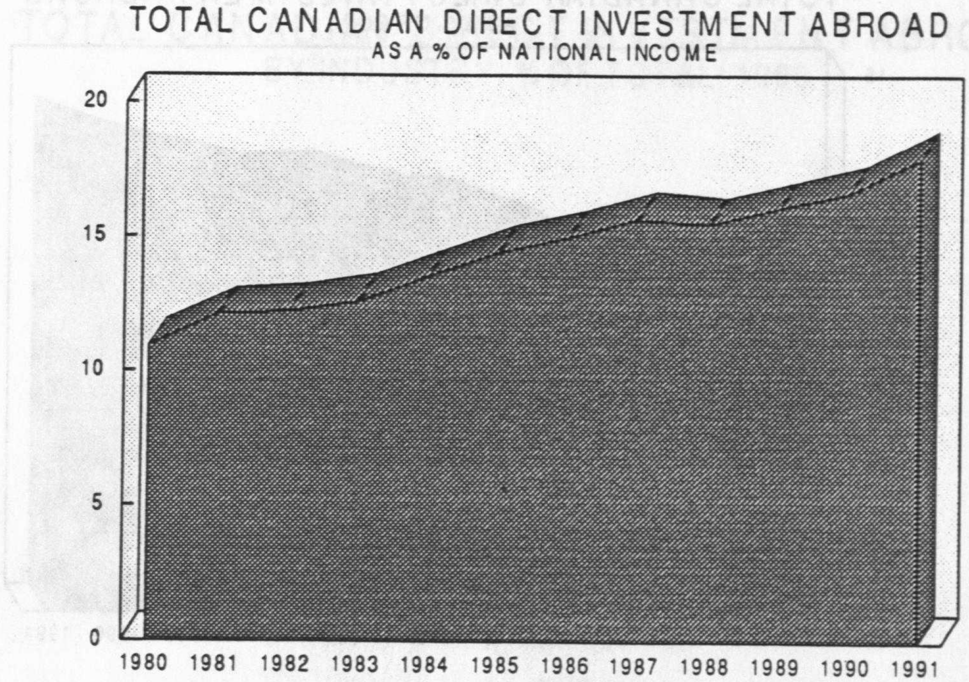
Canadian Direct Investment Abroad



- CDIA has become an increasingly important facet of Canada's economic activity.
- Total Canadian Direct Investment Abroad as a percentage of GDP has been rising steadily since 1980.
- In 1980, cumulative CDIA represented 8.7% of Canadian GDP, compared to 13.6% in 1991.

CANADA'S INVESTMENT ENVIRONMENT

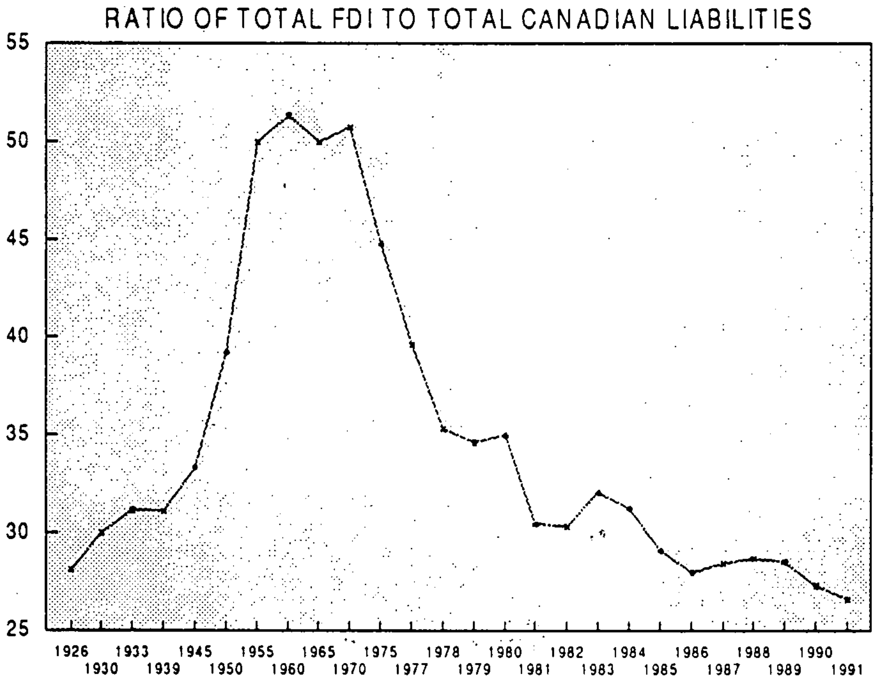
Canadian Direct Investment Abroad



- Total Canadian Direct Investment abroad as a percentage of National Income has also risen steadily since 1980.
- In 1980, cumulative CDIA accounted for 10.9% of National Income in Canada, compared to 17.9% in 1991.

CANADA'S INVESTMENT ENVIRONMENT

Foreign Direct Investment Into Canada



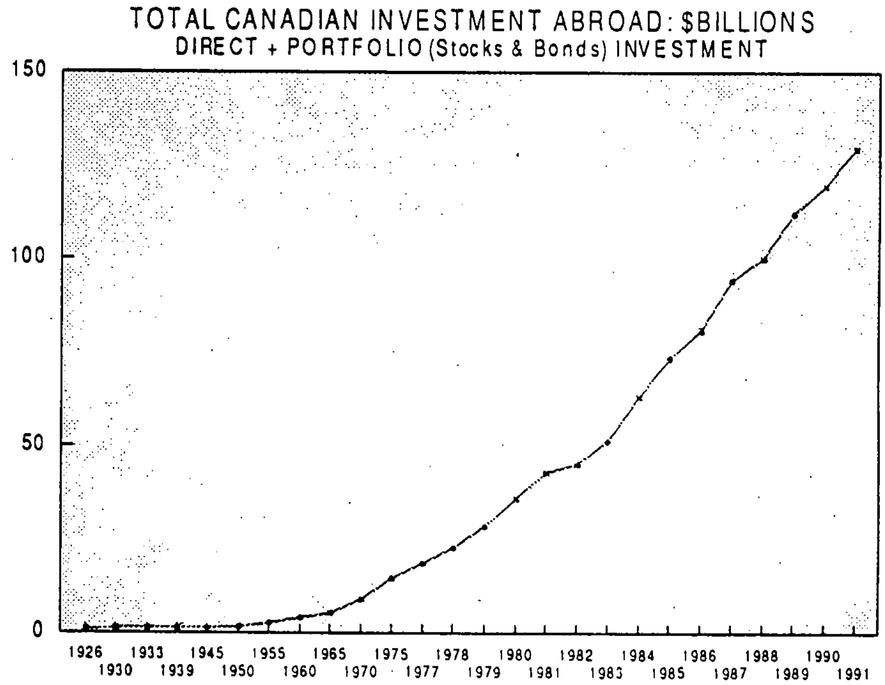
- Canadian Liabilities include Foreign Direct and Portfolio Investment into Canada; Other debt; Non-resident equity in Canadian assets abroad; Canadian Banks' net foreign currency liability position; Money market securities; and Other liabilities.

- The ratio of total FDI into Canada to total Canadian liabilities has decelerated. The ratio peaked in 1960.

- In 1960 total FDI into Canada accounted for 51.4% of total Canadian liabilities compared to 26.6% in 1991. In comparison, total CDIA accounted for 28.1% of total Canadian assets in 1960, and this ratio has since risen to 42.0% in 1991.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct And Portfolio Investment Abroad

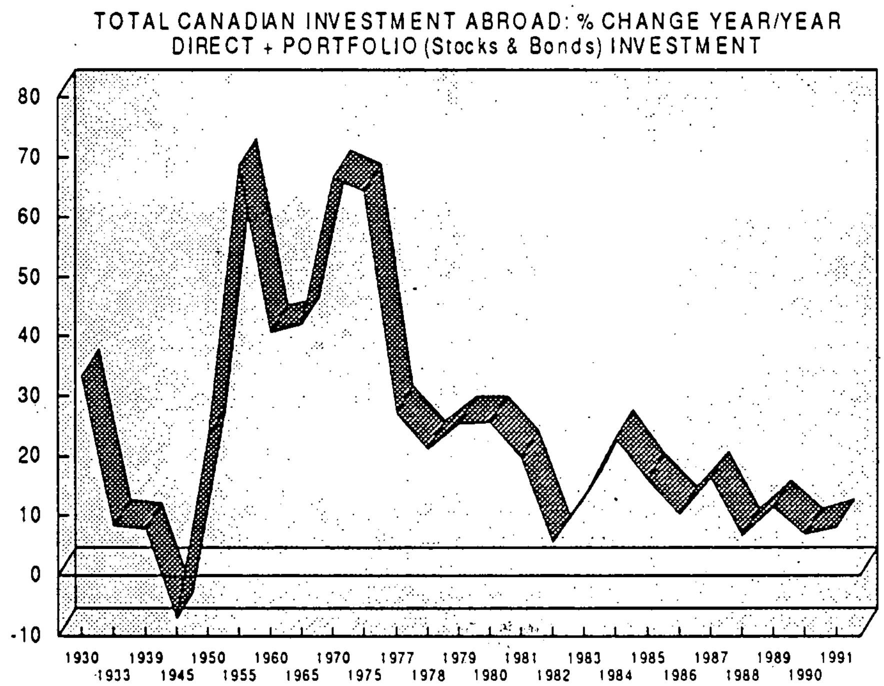


- Canadian Investment Abroad includes Direct Investment and Portfolio Investment (Stocks and Bonds).

- Canadian Investment Abroad, in dollar terms, rose from $0.9 billion in 1926 to $129.5 billion by 1991. Between 1990 and 1991, the value of Canadian Investment Abroad rose by $9.9 billion.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct And Portfolio Investment Abroad

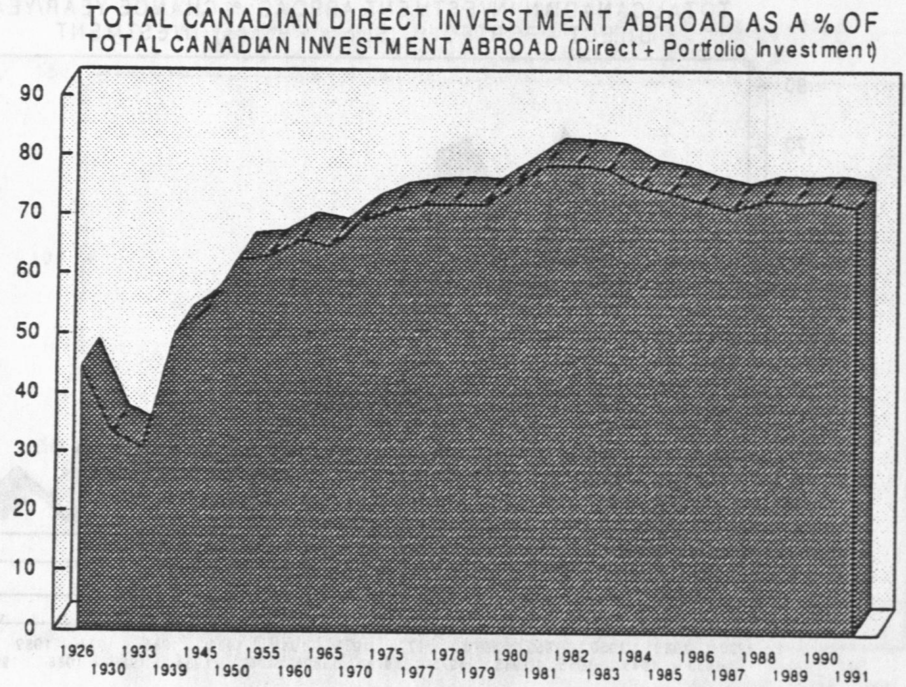


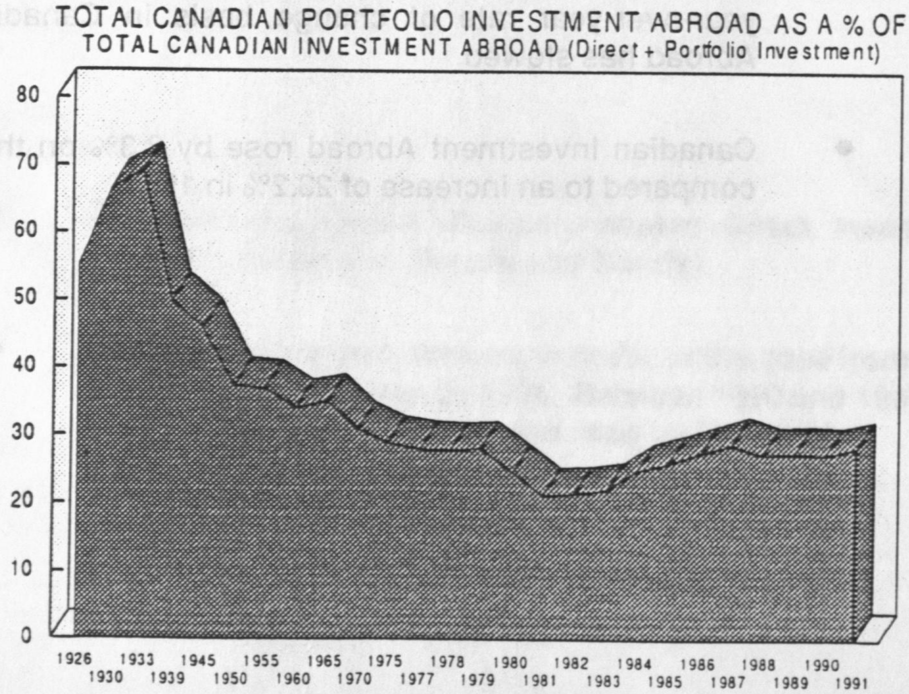
- Despite the large increase on a dollar value basis, growth on a year-over-year rate of change basis in Canadian Investment Abroad has slowed.

- Canadian Investment Abroad rose by 8.3% on the year in 1991, compared to an increase of 23.2% in 1984.

CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct And Portfolio Investment Abroad





CANADA'S INVESTMENT ENVIRONMENT

Canadian Direct And Portfolio Investment Abroad

- Total Canadian Direct Investment Abroad as a percentage of total Canadian Investment Abroad has increased substantially over the years. In 1933, CDIA represented 30.8% of total Canadian Investment Abroad, compared to 71.5% in 1991. Since 1985, this ratio has stabled between 71.0% and 73.0%.

- In contrast, total Canadian Portfolio Investment Abroad as a percentage of total Canadian Investment Abroad has declined. In 1933, Canadian Portfolio Investment Abroad represented 69.2% of total Canadian Investment Abroad, compared to 28.5% in 1991. Since 1985, this ratio has stabled between 26.0% and 28.0%.

- The numbers show that, despite a slight slowdown in Canadian Direct Investment Abroad, Canada's Portfolio Investment Abroad has declined substantially over the years as a percentage of total investment activity.

Summary of Findings

A detailed analysis of investment activity by Canadian companies compiled by Nuala Beck & Associates Inc. reveals that:

- *A total of 154 Canadian Direct Investments Abroad took place between January 1990 and December 1991; 107 investments were made in 1990 and the remaining 47 investments were made in 1991. The number of investments declined in 1991 due primarily to the recession.*

- *17 foreign countries were targeted in 1990, while 8 foreign countries were targeted in 1991.*

- *Between 1990 and 1991, the U.S. remained the primary target of Canadian investment activity. The U.S. received 109 (or 70.8%) of these investments by Canadian firms. The U.K., on the other hand, received 18 (or 11.7%) of Canadian investments.*

- *Ontario companies ranked as the primary investor abroad between 1990 and 1991, with a total of 92 investments (or 59.7% of the total originated from that Province). Companies in:*

  - *Quebec made a total of 30 investments, or 19.5%*
  - *British Columbia made a total of 12 investments, or 7.8%.*
  - *Alberta made a total of 7 investments, or 4.5%*
  - *New Brunswick made a total of 2 investments, or 1.3%*
  - *Saskatchewan made a total of 2 investments, or 1.3%*
  - *Manitoba made a total of 2 investments, or 1.3%*

- *While the range of countries that Canadian companies invested in was broad, the U.S. remained the largest target. Corporations in:*

  - *Ontario targeted 21 individual States in the U.S. in 1990, and 19 States in 1991.*
  - *Quebec targeted 13 individual States in the U.S. in 1990, and 5 in 1991.*
  - *British Columbia targeted 5 individual States in 1990, and 2 in 1991.*
  - *Alberta targeted 5 individual States in 1990.*
  - *Saskatchewan targeted 1 State in 1990.*
  - *Manitoba targeted 1 State in 1990 and 1 State in 1991.*

- *Where disclosed, 20 Canadian companies between 1990 and 1991 invested more than $50.0 million ($U.S.) in a single known investment.*

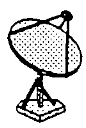
  - *9 companies from Ontario*
  - *8 companies from Quebec*
  - *1 company from Alberta*
  - *1 company from British Columbia*
  - *1 company whose location was not disclosed*

- *Except for Manitoba companies, most of the Canadian investments were in the form of an acquisition.*

Industry Concentration in The New Economy™

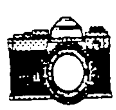
Canadian industries targeted their investment activity heavily within the New Economy™, and in particular, within the Four New Engines of growth:

- *Computers and Semi-Conductors*



- *Instrumentation*
  - *Industrial Instruments for measurement, display & control of process variables*
  - *Automatic Controls for regulating Residential & Commercial environments & appliances*
  - *Industrial & Commercial Machinery & Computer Equipment*
  - *Internal Combustion Engines, nec*
  - *Speed Changers, Industrial High-Speed Drives & Gears*

- *Health & Medical*
  - *Skilled Nursing Care Facilities*
  - *Health/Medical Research*



- *Communications and Telecommunications*
  - *Cable and Other Pay TV Services*
  - *Communication Equipment*
  - *Radio & TV Broadcasting*
  - *Telephone & Telegraph Apparatus*
  - *Communication Services*

Of the 154 Canadian Direct Investments made between January 1990 and December 1991, over 50% were in New Economy™ industries.

The range of industries targeted by Province of origin was quite diversified.

- ***Saskatchewan:*** *Heavy Construction; Engineering Services.*

- ***Manitoba:*** *Communications; Printing, Publishing & Allied.*

- ***New Brunswick:*** *Food & kindred products.*

- ***British Columbia:*** *Mining; Oil & Gas; Fabricated Metal Products; Chemicals; Electronics; Food; Real Estate; Personal Services; Automotive Dealers & Gasoline; Business Services.*

- ***Alberta:*** *Oil & Gas; Electronics; Motor Freight Transport; Electric, Gas & Sanitary Services; Retail Trade.*

- ***Quebec:*** *Construction; Chemicals; Textiles; Furniture & Fixtures; Fabricated Metal Products; Rubber & Plastics; Electronics; Machinery & Computer Equipment; Transportation Equipment; Primary Metals; Railroads; Communications; Eating/Drinking Places; Wholesale Trade; Financial Institutions; Hotels; Engineering & Research Services; Stone, Clay, Glass, Concrete; Instrumentation.*

- ***Ontario:*** *Agriculture; Mining; Printing/Publishing & Allied; Paper & Allied; Chemicals; Lumber & Wood; Primary Metals; Fabricated Metal Products; Machinery & Computer Equipment; Electronics; Transportation Equipment; Rubber & Plastics; Investment & Financial Services; Electric, Gas & Sanitary Services; Eating/Drinking Places; Wholesale Trade; Business Services; Health Services; Real Estate; Engineering & Research Services.*

Canadian Companies That Made Multiple Investments

A particular highlight in 1990/1991 was the number of Canadian companies making multiple investments abroad. In an era dominated by corporate globalization, it is particularly relevant to see the range of companies across a range of Provinces that are participating in the trend towards globalization. The extent to which these Canadian companies ultimately become winners on the global playing field may have important future ramifications on their ability to strengthen their Canadian homebase and transfer the technologies and expertise gained abroad back into Canada.

• *New Brunswick*	McCain Foods Ltd.
• *British Columbia*	Loewen Group Inc.
• *Alberta*	Trimac Ltd.
• *Saskatchewan*	AGRA Industries
• *Quebec*	CP Ltd. IMASCO Ltd. Bombardier Ltee. ALCAN Bank of Montreal Genstar
• *Ontario*	Lawson Mardon Group Ltd. Hollinger Inc. Jannock Steel/Jannock Inc. CCL Industries Inc. Thomson Corp. Fahnestock Viner Holdings Inc. Onex Corp. Royal Trustco Laidlaw Inc. Corona Corp. Scott's Hospitality Inc. Genstar Derlan Industries Ltd. Confederation Life Insurance

Canadian Direct Investment Abroad

Number of Investment by Country

Last 2 years

January 1990 - December 1991

Country	Number	% of total
United States	109	70.8%
United Kingdom	18	11.7%
France	2	1.3%
Germany	2	1.3%
Belgium	2	1.3%
New Zealand	2	1.3%
Bermuda	2	1.3%
Chile	2	1.3%
Israel	2	1.3%
Italy	1	0.6%
Switzerland	1	0.6%
Spain	1	0.6%
Norway	1	0.6%
Scotland	1	0.6%
Ireland	1	0.6%
Netherlands	1	0.6%
Australia	1	0.6%
Mexico	1	0.6%
Malaysia	1	0.6%
Indonesia	1	0.6%
Colombia	1	0.6%
Guyana	1	0.6%

TOTAL INVESTMENT (1990 + 1991) = 154

Canadian Direct Investment Abroad
Number of Investments by Country, 1990

Country	*Number*	*% of total*
United States	72	67.3%
United Kingdom	14	13.1%
Germany	2	1.9%
Bermuda	2	1.9%
Belgium	2	1.9%
New Zealand	2	1.9%
Israel	2	1.9%
Australia	1	0.9%
France	1	0.9%
Spain	1	0.9%
Norway	1	0.9%
Ireland	1	0.9%
Netherlands	1	0.9%
Mexico	1	0.9%
Guyana	1	0.9%
Chile	1	0.9%
Colombia	1	0.9%

TOTAL INVESTMENTS (1990) = 107

Canadian Direct Investment Abroad
Number of Investments by Country, 1991

Country	*Number*	*% of total*
United States	37	78.7%
United Kingdom	4	8.5%
France	1	2.1%
Switzerland	1	2.1%
Italy	1	2.1%
Scotland	1	2.1%
Chile	1	2.1%
Indonesia	1	2.1%

TOTAL INVESTMENTS (1991) = 47

Types of Investment

- *ACQUIRING INTEREST: Initial Stake, First Time Buyer where stake represents at least 5.0% but not exceeding 50.0%.*

- *ACQUIRING ADDITIONAL INTEREST: Total stake (i.e. existing + additional) represents 10.0% or more, yet remains under 50.0%. Hence an investor already owning 5.0% of Company xyz who purchases another 5.0% in Company xyz would fall into this category.*

- *ACQUIRING MAJORITY INTEREST: Investments exceeding 50.1%.*

- *ACQUIRING REMAINING INTEREST: Ownership of 50.1% or more, purchases remaining amount.*

- *ACQUISITION OF UNIT: Investments where no legal separate identities exist (i.e., no Inc., Corp., Ltd., Co.). Acquisition takes the form of a division, product line or business segment.*

- *ACQUISITION: 100.0% ownership.*

- *MERGER: Merger of Equals.*

Canadian Direct Investment Abroad
Type of Investment by Province
1990-91

Province	Percentage	In Form Of
New Brunswick	*100.0%*	*Acquisition*
British Columbia	*33.3%*	*Acquisition*
	25.0%	*Acquiring Interest*
	16.7%	*Acquiring Majority Interest*
	8.3%	*Acquiring Remaining Interest*
	8.3%	*Acquiring Additional Interest*
	8.3%	*Acquisition of Unit*
Alberta	*71.4%*	*Acquisition*
	14.3%	*Acquisition of Unit*
	14.3%	*Acquiring Remaining Interest*
Quebec	*53.3%*	*Acquisition*
	26.7%	*Acquisition of Unit*
	10.0%	*Acquiring Interest*
	6.7%	*Acquiring Remaining Interest*
	3.3%	*Acquiring Majority Interest*
Saskatchewan	*50.0%*	*Acquisition*
	50.0%	*Acquiring Interest*
Manitoba	*100.0%*	*Acquisition of Unit*
Ontario	*46.7%*	*Acquisition*
	27.2%	*Acquisition of Unit*
	13.0%	*Acquiring Interest*
	8.7%	*Acquiring Majority Interest*
	2.2%	*Acquiring Additional Interest*
	2.2%	*Acquiring Remaining Interest*
Province not disclosed	*42.9%*	*Acquisition*
	42.9%	*Acquiring Interest*
	14.3%	*Acquisition of Unit*

Canadian Direct Investment Abroad Number of Investments by Province by Location

Province	1990 Number	1990 Location	1991 Number	1991 Location
New Brunswick	2	Netherlands New Zealand	0	n.a.
British Columbia	10	U.S. (6) Mexico (1) Malaysia (1) U.K. (1) Colombia (1)	2	U.S.
Alberta	6	U.S. (5) Norway (5)	1	Indonesia
Quebec	22	U.S. (18) U.K. (2) France (1) Israel (1)	8	U.S. (6) U.K. (1) Italy (1)
Saskatchewan	2	U.S. (1) U.K. (1)	0	n.a.
Manitoba	1	U.S.	1	U.S.
Ontario	58	U.S. (37) U.K. (10) Germany (2) Belgium (2) Spain (1) Ireland (1) Australia (1) Bermuda (1) New Zealand (1) Israel (1) Guyana (1)	34	U.S. (28) U.K. (3) Chile (1) Switzerland (1) Scotland (1)
Province n/a	6	U.S. (4) Chile (1) Bermuda (1)	1	France
	107	(1990)	47	(1991)

Canadian Direct Investment Abroad
% Investments in the United States
By Province, By State & By Number of Investments

	1990		1991	
Province	% total	State/Number	% total	State/Number
New Brunswick	0.0	n.a.	0.0	n.a.
British Columbia	60.0	Washington (2) Montana (1) Oregon (1) Kansas (1) Texas (1)	100.0	Washington (1) Colorado (1)
Alberta	83.3	Colorado (1) Alabama (1) Texas (1) California (1) New York (1)	0.0	n.a.
Quebec	81.8	California (3) Maryland (2) New Jersey (2) Florida (2) Missouri (1) Minnesota (1) Massachusetts (1) Kansas (1) Illinois (1) Texas (1) Arizona (1) Kentucky (1) Oregon (1)	75.0	Massachusetts (2) New Jersey (1) Texas (1) New York (1) Ohio (1)
Saskatchewan	50.0	Washington (1)	0.0	n.a.
Manitoba	100.0	Missouri (1)	100.0	Georgia (1)
Province n.a.	66.7	Minnesota (1) Illinois (1) Connecticut (1) New Jersey (1)	0.0	n.a.

continued

	1990		1991	
Province	*% total*	*State/Number*	*% total*	*State/Number*
Ontario	*63.8*		*82.4*	
		New York (4)		*New York (3)*
		California (3)		*Texas (3)*
		Indiana (3)		*California (3)*
		Michigan (3)		*Connecticut (2)*
		New Jersey (2)		*Illinois (2)*
		Ohio (2)		*Pennsylvania (2)*
		Oregon (2)		*Ohio (1)*
		Virginia (2)		*Tennessee (1)*
		Illinois (2)		*Montana (1)*
		Massachusetts (2)		*North Carolina (1)*
		Utah (2)		*Georgia (1)*
		South Carolina (1)		*Florida (1)*
		Texas (1)		*Michigan (1)*
		Maine (1)		*South Carolina (1)*
		Washington (1)		*Colorado (1)*
		Tennessee (1)		*Rhode Island (1)*
		Connecticut (1)		*Wisconsin (1)*
		Pennsylvania (1)		*Virginia (1)*
		Missouri (1)		*not disclosed (1)*
		Mississippi (1)		
		Georgia (1)		

Canadian Companies
that made more than 1 Foreign Investment
1990-1991

Province	Company	Number	Location
New Brunswick	*McCain Foods Ltd.*	*2*	*Netherlands, New Zealand*
British Columbia	*Loewen Group Inc.*	*2*	*United States*
Alberta	*Trimac Ltd.*	*2*	*United States*
Saskatchewan	*AGRA Industries Ltd.*	*2*	*U.S., U.K.*
Quebec	*CP Ltd.*	*6*	*U.S.*
	Imasco	*2*	*U.S.*
	Bombardier	*2*	*U.S., U.K.*
	ALCAN	*2*	*United States*
	Bank of Montreal	*2*	*United States*
	Genstar Capital *	*1*	*United States*
Ontario	*Lawson Mardon Group*	*6*	*Germany, U.K., U.S.*
	Hollinger Inc.	*7*	*U.S., Israel*
	Jannock Steel/Jannock Inc.	*4*	*United States*
	CCL Industries Inc.	*6*	*U.S., U.K.*
	Thomson Corp.	*6*	*United States*
	Laidlaw Inc.	*5*	*U.S., Bermuda*
	Onex Corp.	*3*	*United States*
	Fahnestock Viner Holdings	*3*	*United States*
	Scott's Hospitality	*3*	*U.S., U.K.*
	Confederation Life	*2*	*United States*
	Royal Trustco	*2*	*United States*
	Corona Corp.	*2*	*U.S., Ireland*
	Genstar Capital *	*1*	*United States*
	Derlan Industries	*2*	*United States*

Single Investments that exceeded $50.0 million ($U.S.)

This section documents those corporations that invested more than $50.0 million ($U.S.) in a single known investment. While other investments exceeding this amount may have taken place, not all corporations disclosed this information.

1. **BCE Inc. (Quebec) (1991)**

   Amount: $2482.58m
   Where: U.K.
   Type: Acquisition

2. **CIBC (Ontario) (1990)**

   Amount: $1000.0m
   Where: Massachusetts U.S.
   Type: Acquisition Of Unit

3. **Quebecor & Caisse (n/a) (1990)**

   Amount: $510.0m
   Where: Minnesota, U.S.
   Type: Acquisition

4. **Imasco (Quebec) (1990)**

   Amount: $365.0m
   Where: Maryland, U.S.
   Type: Acquisition

5. **Bank of Montreal (Quebec) (1990)**

   Amount: $250.0m
   Where: New Jersey, U.S.
   Type: Acquisition Of Unit

6. **Laidlaw Inc. (Ontario) (1990)**

   Amount: $249.3m
   Where: Bermuda
   Type: Acquiring Additional Interest

7. **Molson Cos. Ltd. (Ontario) (1991)**

   Amount: $243.0m
   Where: Ohio, U.S.
   Type: Acquisition

8. Imasco (Quebec) (1991)

Amount: $188.0m
Where: New York, U.S.
Type: Acquisition

9. Onex Corp. (Ontario) (1990)

Amount: $173.0m
Where: Virginia, U.S.
Type: Acquisition

10. Norcen Energy Resources Ltd. (Alberta) (1990)

Amount: $160.0m
Where: New York, U.S.
Type: Acquisition

11. LAC Minerals (Ontario) (1991)

Amount: $111.932m
Where: Colorado, U.S.
Type: Acquiring Remaining Interest

12. CP Ltd. (Quebec) (1990)

Amount: $95.144m
Where: Minnesota, U.S.
Type: Acquiring Remaining Interest

13. Tendercare Nursing Homes of Canada Ltd. (Ontario) (1990)

Amount: $90.7m
Where: California, U.S.
Type: Acquisition Of Unit

14. Sechura Inc. (Quebec) (1990)

Amount: $79.867m
Where: U.K.
Type: Acquiring Interest

15. Bombardier Ltee. (Quebec) (1990)

Amount: $75.0m
Where: Kansas, U.S.
Type: Acquisition

16. Inter-City Products Corp. (Ontario) (1991)

Amount: $72.0m
Where: Texas, U.S.
Type: Acquisition Of Unit

17. Loewen Group Inc. (B.C.) (1990)

Amount:	$65.5m
Where:	Texas, U.S.
Type:	Acquisition

18. Co-Steel Inc. (Ontario) (1990)

Amount:	$59.132m
Where:	U.K.
Type	Acquisition

19. Thomson Corp. (Ontario) (1991)

Amount:	$56.5m
Where:	Connecticut, U.S.
Type:	Acquisition Of Unit

20. Genstar Capital Corp. (Quebec) (1991)

Amount:	$53.0m
Where:	Ohio, U.S.
Type:	Acquisition Of Unit

Analysis by Province of Corporations That Made More than 1 Investment (1990-91)

New Brunswick

McCain Foods Ltd. (Manufacturer of frozen fruits, fruit juices and vegetables).

1. Acquisition (1990) (Grand Falls, New Brunswick)
Location: Netherlands (Manufacturer of prepackaged potatoes)

2. Acquisition (1990) (Florenceville, New Brunswick)
Location: New Zealand (Processing of frozen peas, potatoes, plums & carrots)

British Columbia

Loewen Group Inc. (Burnaby) (Operates Funeral homes, funeral services, crematoria, cemeteries, ambulance services).

1. Acquiring Majority Interest (1990)
Location: Oregon, U.S. (Funeral homes & cemeteries)

2. Acquisition (1990)
Location: Texas, U.S. (Own & operate funeral homes)

Alberta

Trimac Ltd. (Calgary) (Oil & Gas drilling in North America/Europe, highway transportation of bulk commodities in Canada/U.S., waste management, equipment leasing, data processing operations & hydrocarbon trading).

1. Acquisition (1990)
Location: Colorado, U.S. (Operates Oil & Gas drilling rigs in U.S.)

2. Acquisition (1990)
Location: Alabama, U.S. (Bulk truck transportation of milk, propane & other liquid products)

Saskatchewan

AGRA Industries (Saskatoon) (Engages in provision of engineering services, specialized construction & land development, manufacture of concrete, plastic, food products, pharmaceuticals, manufacture of high-tech automation, robotics, & some specialty foods. Also engages in insurance brokerage, food franchise operations).

1. Acquiring Interest (1990)
Location: U.K. (British offshore drilling co. specializing in marine test drilling & coring on a worldwide basis in connection with marine construction projects)

2. Acquisition (1990)
Location: Washington, U.S. (Provides environmental & geotechnical engineering consulting services)

Quebec

CP Ltd. (Montreal) (Railroad concern; subsidiaries in petroleum, forestry, realty/hotels; telecommunications; manufactures commercial china; finance/consulting; manufactures glass & flatware washers; passenger & waste services; natural resources; steel/electrical components).

1. Acquiring Remaining Interest (1990)
Location: Minnesota, U.S. (Railroads, real estate activities)

2. Acquisition (1990)
Location: Florida, U.S. (Electrical contracting concern)

3. Acquisition (1990)
Location: Texas, U.S. (Designing, manufacturing & distributing architectural roofing & composite wall products)

4. Acquiring Majority Interest (1990)
Location: Arizona, U.S. (Operates hotel chains)

5. Acquisition of Unit (1990)
Location: Oregon, U.S. (Bought compaction equipment product lines)

6. Acquisition (1991)
Location: Massachusetts, U.S. (Railway network)

IMASCO Ltd. (Montreal) (Manufactures cigars, cigarettes, tobacco, snuff; operates retail tobacco outlets, drug stores, restaurants; real estate brokerage, pension, trust).

1. Acquisition (1990)
Location: Maryland, U.S. (Fast food chain)

2. Acquisition (1991)
Location: New York, U.S. (Federally chartered savings institution)

Bombardier Ltee (Aerospace, transportation equipment, motorized consumer products, defense products).

1. Acquisition (Valcourt) (1990)
Location: Kansas, U.S. (Learjet purchase)

2. Acquisition of Unit (Montreal) (1990)
Location: U.K. (design, fabrication & assembly of road tankers, semi-trailers, rail, tank, hopper & specialized freight cars)

ALCAN Aluminum Ltd. (Montreal) (Aluminum production, mining, transportation, smelting, recycling).

1. Acquisition (1990)
Location: New Jersey, U.S. (largest manufacturer of magnesium particulate in Western World)

2. Acquisition of Unit (1990)
Location: California, U.S. (Manufactures, distributes aluminum & steel, commercial & industrial siding & roofing, architectural panels, etc..)

Bank of Montreal (Montreal) (Banking/Financial Services)

1. Acquisition of Unit (1990)
Location: New Jersey, U.S. (Consumer credit card portfolio)

2. Acquisition (1990)
Location: Illinois, U.S. (State commercial bank)

Genstar Capital Corp (Montreal) (Investment, Financial Planning)

1. Acquisition of Unit
Location: Ohio, U.S. (Manufacturer of motors/generators & supplies)

Ontario

Lawson Mardon Group Ltd. (Mississauga) (International Packaging Concern).

1. Acquisition (1990)
Location: Germany (Production of reel-fed gravure cartons for cigarettes)

2. Acquisition (1990)
Location: Germany (Produces sheet-fed litho cartons of cigarettes, confectionary & cosmetic industries)

3. Acquisition (1990)
Location: U.K. (Trade finishing Co.)

4. Acquisition of Unit (1990)
Location: California, U.S. (Sheet-fed paper label producing assets)

5. Acquisition (1990)
Location: U.K. (Manufacturer of flexible packaging products)

6. Acquisition of Unit (1991)
Location: U.K. (Manufacturer of plastic bottles & other plastic containers)

Hollinger Inc. (Toronto) (Printing & Publishing Newspapers)

1. Acquisition of Unit (1990)
Location: New Jersey, U.S. (Bought several daily newspapers)

2. Acquisition (1990)
Location: Mississippi, U.S. (daily newspapers)

3. Acquisition (1990)
Location: Michigan, U.S. (daily newspaper publisher)

4. Acquiring Additional Interest (1990)
Location: Israel (daily newspaper publisher)

5. Acquisition of Unit (1991)
Location: Georgia, U.S. (bought 3 Mississippi newspapers)

6. Acquisition of Unit (1991)
Location: South Carolina, U.S. (bought 1 daily & 2 weekly newspapers)

7. Acquisition of Unit (1991)
Location: Virginia, U.S. (bought 3 daily newspapers)

Jannock Steel/Jannock Inc. (Steel fabricating, forging, distribution; products include agricultural related products; interest in sugar refining & printing).

1. Jannock Steel Fabricating Inc. (Rexdale) (1990) Acquisition
Location: Oregon, U.S. (Sell steel roofing & siding for agricultural purposes)

2. Jannock Ltd. (Toronto) (1990) Acquiring Majority Interest
Location New York, U.S. (General commercial printer)

3. Jannock Steel Fabricating Inc. (Rexdale) (1990) Acquisition of Unit
Location: Washington, U.S. (Produces steel roofing, siding & floor products)

4. Jannock Ltd. (Toronto) (1991) Acquisition of Unit
Location: Texas, U.S. (Production of vinyl siding & related components)

CCL Industries Inc. (Willowdale) (Manufacturer of consumer goods, pressure-sensitive product containers & closures; interest in perfumes, cosmetics, special cleaners & sanitation preparations; commercial printing, letterpress & screen).

1. Acquisition (1990)
Location: U.K. (Manufactures pharmaceutical products)

2. Acquisition (1990)
Location: U.K. (Aerosols)

3. Acquisition Of Unit (1990)
Location: Virginia, U.S. (Manufactures aluminum tubes, plastic tubes, etc..)

4. Acquisition (1990)
Location: Michigan, U.S. (Manufactures detergents)

5. Acquisition (1990)
Location: U.K. (Marketing of aerosol & liquid consumer products)

6. Acquisition (1991)
Location: New York, U.S. (Manufacturer of cosmetics & toiletries)

Thomson Corp. (Toronto) (Printing/Publishing; Travel/Leisure; Oil & Gas exploration; Software).

1. Acquisition of Unit (1990)
Location: New Jersey, U.S. (5 daily newspapers)

2. Acquisition of Unit (1990)
Location: Illinois, U.S. (bought financial publishing division)

3. Acquisition (1990)
Location: Georgia, U.S. (bought financial planning magazine)

4. Acquisition (1990)
Location: New York, U.S. (Collect & analyze information on asset-backed securities)

5. Acquisition (1990)
Location: New York, U.S. (Provide information on securities to banks, mutual funds, Investment advisers).

6. Acquisition of Unit (1991)
Location: Connecticut, U.S. (bought publishing operations)

Fahnestock Viner Holdings Inc. (Toronto) (Operates security-dealer concerns)

1. Acquisition (1990)
Location: Missouri (Broker-dealer)

2. Acquisition (1990)
Location New York, U.S. (Institutional equity trading & arbitrage)

3. Acquisition (1991)
Location: Pennsylvania (Investment Services)

Onex Corp. (Toronto) (Interests in packaging, leasing & food products)

1. Acquisition (1990)
Location: Virginia, U.S. (Manufacturer of auto parts & accessories)

2. Acquisition of Unit (1990)
Location: Michigan, U.S. (Auto parts & accessories & equipment)

3. Acquisition of Unit (1991)
Location: Pennsylvania, U.S. (Bought freight car division)

Royal Trustco (Toronto) (Financial Services, Real estate brokerage)

1. Acquisition (1990)
Location: Utah, U.S. (Savings & loan)

2. Acquisition of Unit (1990)
Location: Utah, U.S. (Savings & loan)

Laidlaw Inc. (Burlington) (Passenger & freight transport & waste management)

1. Acquiring Additional Interest (1990)
Location: Bermuda (Security, maintenance & auctioneering service)

2. Acquisition (1990)
Location: Massachusetts, U.S. (Solid waste collection services)

3. Acquisition (1991)
Location: Texas, U.S. (Industrial waste storage)

4. Acquisition (1991)
Location: U.S.A. (Waste management concerns)

5. Acquisition (1991)
Location: California, U.S. (Onsite waste treatment)

Corona Corp. (Toronto) (Exploration for & development of gold, silver, oil & natural gas)

1. Acquiring Interest (1990)
Location: Ireland (Exploration for & production of oil, gas, minerals)

2. Acquiring Interest (1991)
Location: New York, U.S. (Tin mining)

Scott's Hospitality Inc. (Toronto) (Food Services, hotels, transportation & warehousing, photography).

1. Acquiring Interest (1990)
Location: U.K. (Restaurants & food courts)

2. Acquisition of Unit (1991)
Location: U.K. (Pizza chain)

3. Acquisition of Unit (1991)
Location: Florida, U.S. (Chinese restaurant)

Genstar Capital Corp. (Toronto) (Financial Planning)

1. Acquisition (1990)
Location: South Carolina, U.S. (Manufactures mobile field equipment)

Derlan Industries Ltd. (Toronto) (Design & manufacture aerospace equipment, transformers, cabinets, metal doors & precision machined assemblies' components).

1. Acquisition (1991)
Location: Connecticut, U.S. (Develop & apply specialty coatings used for aircraft)

2. Acquiring Majority Interest (1991)
Location: North Carolina, U.S. (Designs & builds custom packaging, converting & specialty processing machines)

Confederation Life Insurance Co. (Toronto) (Insurance)

1. Acquiring Interest (1991)
Location: Illinois, U.S. (Manufacture/distribute marine products)

2. Acquiring Interest (1991)
Location: Wisconsin U.S. (Manufacture power transmission products & high speed rotary cutting tools)

INDUSTRIES TARGETED BY PROVINCE JAN. 1990 - DEC. 1991

SASKATCHEWAN

Heavy Construction other than Building Construction - Contractors

- *Heavy Construction (1990)*

Engineering, Accounting, Research, Management, & Related Services

- *Engineering Services (1990)*

MANITOBA

Communications

- *Cable and Other Pay TV Services (1990)*

Printing, Publishing & Allied Industries

- *Commercial Printing, nec (1991)*

NEW BRUNSWICK

Food & Kindred Products

- *Frozen Specialties, nec (1990)*
- *Food Preparations, nec (1990)*

BRITISH COLUMBIA

Metal Mining

- *Copper & Gold Ores (1990)*

Oil & Gas Extraction

- *Crude Petroleum & Natural Gas (1990)*

Fabricated Metal Products, excluding machinery & transportation equipment

- *Fabricated pipe & pipe fittings (1990)*

Chemicals & Allied Products

- *Industrial Organic Chemicals, nec (1990)*

Electronic & other Electrical Equipment & Components, excluding Computer Equipment

- *Communication Equipment, nec (1990)*

Food Stores

- *Grocery Stores (1990)*

Real Estate

- *Land Subdividers & Developers, excluding Cemetaries (1990)*

Personal Services

- *Funeral Service & Crematories (1990)*

Automotive Dealers & Gasoline Service Stations

- *Motor Vehicle Dealers (new & used) (1991)*

Business Services

- *Business Services, nec (1991)*

ALBERTA

Oil & Gas Extraction

- *Drilling Oil & Gas Wells (1990)*
- *Oil & Gas Field Services, nec (1990)*
- *Oil & Gas Field Exploration Services (1991)*

Electronic & Other Electrical Equipment & Components, excluding Computer Equipment

- *Radio & TV Broadcasting & Communication Equipment (1990)*

Motor Freight Transportation & Warehousing

- *Trucking, excluding local (1990)*

Electric, Gas & Sanitary Services

- *Natural Gas Distribution (1990)*

Misc. Retail Trade

- *Liquefied Petroleum Gas (Bottled Gas) Dealers (1990)*

QUEBEC

Construction - Special Trade Contractors

- *Electrical Work (1990)*

Chemicals & Allied Products

- *In Vitro & In Vivo Diagnostic Substances (1990, 1991)*
- *Industrial Inorganic Chemicals, nec (1990)*

Textile Mill Products

- *Nonwoven fabrics (1990)*

Furniture & Fixtures

- *Wood Household Furniture, excluding Upholstered (1990)*

Fabricated Metal Products, excluding machinery & transportation equipment

- *Fabricated Metal Products, nec (1990)*
- *Architectural & Ornamental Metal Work (1990)*

Rubber & Misc. Plastics Products

- *Plastics Foam Products (1990)*

Electronic & Other Electrical Equipment & Components, excluding Computer Equipment

- *Telephone & Telegraph Apparatus (1990)*
- *Motors & Generators (1991)*

Industrial & Commercial Machinery & Computer Equipment

- *Construction Machinery & Equipment (1990)*

Transportation Equipment

- *Railroad Equipment (1990)*
- *Aircraft (1990)*

Primary Metal Industries

- *Primary Production of Aluminum (1990)*

Railroad Transportation

- *Railroads, Line-Haul Operating (1990, 1991)*

Communications

- *Communication Services, nec (1990)*

Eating & Drinking Places

- *Eating Places (1990)*

Wholesale Trade - Nondurable Goods

- *Beer & Ale (1990)*
- *Groceries & Related Products, nec (1991)*

Depository Institutions

- *State Commercial Banks (1990)*
- *Savings Institutions, Federally Chartered (1991)*

Nondepository Credit Institutions

- *Short-term Business Credit Institutions, excluding Agricultural (1990)*
- *Misc. Business Credit Institutions (1990)*

Hotels, Rooming Houses, Camps, & other Lodging Places

- *Hotels & Motels (1990)*

Engineering, Accounting, Research, Management & Related Services

- *Commercial Physical & Biological Research (1990)*

Stone, Clay, Glass & Concrete Products

- *Asbestos Products (1991)*

Measuring, Analyzing & Controlling Instruments; Photographic, Medical & Optical Goods; Watches & Clocks

- *Industrial Instruments for measurement, display & control of process variables (1991)*
- *Automatic Controls for regulating Residential & Commercial Environments & Appliances (1991)*

UNLISTED

Metal Mining

- *Gold Ores (1990)*

Printing, Publishing & Allied Industries

- *Periodicals, Publishing or Printing & Publishing (1990)*

Primary Metal Industries

- *Aluminum die-castings (1990)*

Fabricated Metal Products, excluding machinery & transportation equipment

- *Small Arms (1990)*

Rubber & Misc. Plastics Products

- *Plastics Products, nec (1990)*

Holding & Other Investment Offices

- *Investors, nec (1990)*

Apparel & Other Finished Products made from fabrics & similar materials

- *Women's, Misses', & Juniors' Dresses (1991)*

ONTARIO

Agriculture Production Livestock & Animal Specialties

- *Animal Aquaculture (1990)*

Metal Mining

- *Gold Ores (1990, 1991)*
- *Misc. Metal Ores, nec (1990)*
- *Lead & Zinc Ores (1991)*

Printing, Publishing & Allied Industries

- *Newspapers, Publishing or Printing & Publishing (1990, 1991)*
- *Periodicals, Publishing or Printing & Publishing (1990)*
- *Misc. Publishing (1990)*
- *Commercial Printing, Lithographic (1990)*
- *Manifold Business Forms (1990)*

Paper & Allied Products

- *Coated & Laminated Paper, nec (1990)*

Chemicals & Allied Products

- *Specialty Cleaning, Polishing & Sanitation Preparation (1990, 1991)*
- *Industrial Inorganic Chemicals, nec (1990)*
- *Soap & Other Detergents, excluding Specialty Cleaners (1990)*
- *Perfumes, Cosmetics & Other Toilet Preparations (1991)*

Lumber & Wood Products, excluding Furniture

- *Structural Wood Members, nec (1990)*
- *Millwork (1991)*

Primary Metal Industries

- *Steel Works, Blast Furnaces (incl. Coke Ovens) & Rolling Mills (1990)*

Fabricated Metal Products, excluding machinery & transportation equipment

- *Sheet Metal Work (1990)*
- *Fabricated Metal Products, nec (1990)*
- *Plumbing Fixture Fittings & Trim (1990)*
- *Coating, Engraving & Allied Services, nec (1991)*

Industrial & Commercial Machinery & Computer Equipment

- *Farm Machinery & Equipment (1990)*
- *Packaging Machinery (1991)*
- *Internal Combustion Engines, nec (1991)*
- *Speed Changers, Industrial High-Speed Drives & Gears (1991)*
- *Oil & Gas Field Machinery & Equipment (1991)*

Electronic & Other Electrical Equipment & Components, excluding Computer Equipment

- *Communication Equipment, nec (1990)*
- *Household Appliances, nec (1990)*
- *Electronic Housewares & Fans (1990)*
- *Phonograph Records & Prerecorded Audio Tapes & Disks (1990)*

Transportation Equipment

- *Motor Vehicle Parts & Accessories (1990)*
- *Railroad Equipment (1991)*

Misc. Manufacturing Industries

- *Manufacturing Industries, nec (1990)*

Rubber & Misc. Plastics Products

- *Plastics Products, nec (1990)*
- *Plastic Bottles (1991)*
- *Unsupported Plastics Film & Sheet (1991)*

Security & Commodity Brokers, Dealers, Exchanges & Services

- *Security Brokers, Dealers & Flotation Companies (1990, 1991)*
- *Services Allied with Exchanges of Securities or Commodities (1990)*

Insurance Carriers

- *Life Insurance (1990)*
- *Surety Insurance (1990)*

Electric, Gas & Sanitary Services

- *Refuse Systems (1990, 1991)*
- *Sanitary Services, nec (1991)*

Eating & Drinking Places

- *Eating Places (1990, 1991)*

Wholesale Trade - Durable Goods

- *Electronic Parts & Equipment, nec (1990)*
- *Warm Air Heating & Air Conditioning Equipment & Supplies (1991)*

Mining & Quarrying of Nonmetallic Minerals, excluding fuels

- *Clay, Ceramic & Refractory Minerals, nec (1991)*

Depository Institutions

- *Branches & Agencies of Foreign Banks (1991)*
- *Savings Institutions, Federally Chartered (1990)*

Business Services

- *Information Retrieval Services (1990, 1991)*
- *Business Services, nec (1990, 1991)*
- *Prepackaged Software (1990, 1991)*
- *Detective, Guard & Armored Car Services (1991)*

Nondepository Credit Institutions

- *Misc. Business Credit Institutions (1990)*

Holding & Other Investment Offices

- *Investors, nec (1990)*

Health Services

- *Skilled Nursing Care Facilities (1990)*

Real Estate

- *Operators of Non-residential Buildings (1991)*

Engineering, Accounting, Research, Management & Related Services

- *Commercial Physical & Biological Research (1991)*

3

Nuala Beck & Associates Inc.

ECONOMIC IMPLICATIONS

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SUMMARY AND CONCLUSIONS

The structure of the Canadian economy is changing rapidly and CDIA is part of that change process as Canada evolves into a high knowledge intensive -- global participant in The New Economy™ of the 1990's and beyond.

Economic Implications

- There is no evidence to suggest that CDIA has limited Canada's job creating ability given the impressive job creation record of Canada's high knowledge intensive industries. Over the period 1984-1H92 high knowledge intensive industries created 477,918 net new jobs in Canada. Jobs in high knowledge intensive industries are not easily transferred abroad to low knowledge intensive jurisdictions.

- Foreign earnings account for 12% of total corporate profits in Canada and have been an important contributor to the overall profitability of the Canadian economy since 1975. CDIA has raised the level of corporate profits in Canada compared to what otherwise would have been the case.

- It is difficult to isolate the role of CDIA in the current recession. The Canadian economy is undergoing structural changes on many fronts - free trade; a transition to a low inflation environment; currency realignments; and technological change across a broad base of industries.

- Nonetheless, the 1991-92 downturn in before-tax profits, industrial production and the number of Canadians unemployed confirm that this recession is not as severe as the 1981-82 recession. In 1982 foreign earnings accounted for 12.5% of before-tax profits, compared to 15.0% in 1991.

- In both recessions foreign earnings cushioned the Canadian economy's slide into recession.

THE LONG -TERM ECONOMIC IMPLICATIONS OF CDIA FOR CANADA

The structure of the Canadian economy is changing rapidly as global economies advance technologically. Direct investment in the 1990s is taking place in a new and different context as old assumptions give way to new realities.

Economic Evolution

Global competition is not the only new reality Canadian business must face. The very basis of North America's economy has changed. Among North America's "New Realities":

U.S

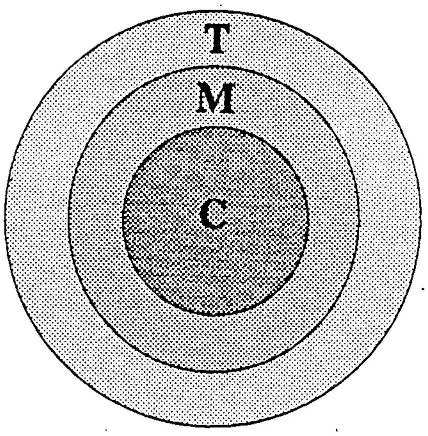
- *More Americans make Semiconductors than Construction Machinery.*
- *Information & Communications accounts for 8.5% of U.S. GDP.*
- *Health & Medical is larger than Oil Refining, Aircraft, Auto, Auto Parts, Textile, Steel and Mining combined.*
- *More Americans work in Data Processing than in Petroleum Refining.*
- *More Americans make computers than cars.*

Canada

- *Electronics is larger than the Pulp & Paper Industry.*
- *Communications & Telecommunications is larger than Mining & Petroleum combined.*
- *The Computer Services Industry in Canada employs more people than the Auto Industry.*
- *The Pharmaceutical Industry in Ontario employs more people than the Logging & Forestry Industry.*
- *More people in B.C. work in Communications & Telecommunications than in Forestry.*

Old industries that were the main drivers to economic growth are no longer as dominant as they used to be. New industries have emerged rapidly onto centre stage and are driving growth and prosperity and investment. Economies -- and the trade and investment patterns they create -- are evolving.

ECONOMIC EVOLUTION



	COMMODITY ECONOMY	MASS MANUFACTURING ECONOMY	TECHNOLOGY ECONOMY
Era	Industrial Revolution	1918 to circa 1981	1981 to ???
	to circa 1918		
Key Factor	Cheap steel	Cheap oil	Cheap microchips
Four Engines	Textiles	Autos	Computers & Semiconductors
	Coal	Machine Tools	Health and Medical
	Steel	Housing	Com and Tel
	Railroads	Retailing	Instrumentation
Leading Economic	Pig-Iron Production	Industrial Production	Computer Production
Indicators	Railroad Operating Income	Capacity Utilization	Electronic Components
	Inner Tube Production	Machine Tool Orders	Production
	Coal and Coke Production	Retail Sales	Instrumentation Sales
	Textile Mill Production	Housing Starts	High Tech Trade Balance
	Cotton Consumption	Auto Sales	Knowledge Intensive
			Employment Growth
			Medical Starts

The New Economy™ and CDIA

The New Economy™ is being driven by four powerful engines of growth.

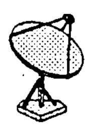
COMPUTERS & SEMICONDUCTORS

- Computer Equipment
- Semiconductors
- Software
- Information Services

HEALTH & MEDICAL

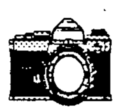
- Medical Care & Diagnostics
- Pharmaceuticals
- Surgical & Medical Instruments
- Surgical & Medical Supplies

COMMUNICATIONS & TELECOMMUNICATIONS



- Telecommunications Services
- Guided Missiles & Space Equipment
- Radio & Microwave Communications
- Entertainment

INSTRUMENTATION



- Optical Instruments & Lenses
- Engineering & Scientific Equipment
- Process Controls
- Environmental Consulting & Equipment

As the detailed investment analysis in the Appendix to the main study shows, Communications, Business Services, Information Retrieval Services, Software, Electronics, Medical Diagnostics, Health Care, Entertainment, and Instrumentation featured prominently as the driving force behind CDIA in 1990 and 1991.

Industry Concentration in The New Economy™

Canadian industries targeted their investment activity heavily within the The New Economy™, and in particular, within the Four New Engines of growth:

- *Computers and Semi-Conductors*
- *Instrumentation*
  - *Industrial Instruments for measurement, display & control of process variables*
  - *Automatic Controls for regulating Residential & Commercial environments & appliances*
  - *Industrial & Commercial Machinery & Computer Equipment*
  - *Internal Combustion Engines, nec*
  - *Speed Changers, Industrial High-Speed Drives & Gears*
- *Health & Medical*
  - *Skilled Nursing Care Facilities*
  - *Health/Medical Researchw*
- *Communications and Telecommunications*
  - *Cable and Other Pay TV Services*
  - *Communication Equipment*
  - *Radio & TV Broadcasting*
  - *Telephone & Telegraph Apparatus*
  - *Communication Services*

Of the 154 Canadian Direct Investments made between January 1990 and December 1991, over 50% were in New Economy™ industries.

CDIA and the Opportunity for Growth

In The New Economy™, there are three ways to grow: to be one of the engines; to be one of their suppliers; or to use their technology to revitalize an old industry. Achieving growth often requires that a company "go global" and derive benefits from a market that is larger than its home market. This rationale of expanding market access has been central to Canada's free trade policy. Corporate interviews have confirmed that a global corporate investment focus is increasingly important.

CDIA and Its Impact on Employment

Access to a knowledge base is important for companies in the New Economy™ -- just as access to cheap labour rates was a critical success factor for multinationals in the Old Economy.

The charts following show that 477,918 net new jobs were created by Canada's high knowledge intensive industries -- the same industries that figure prominently in CDIA.

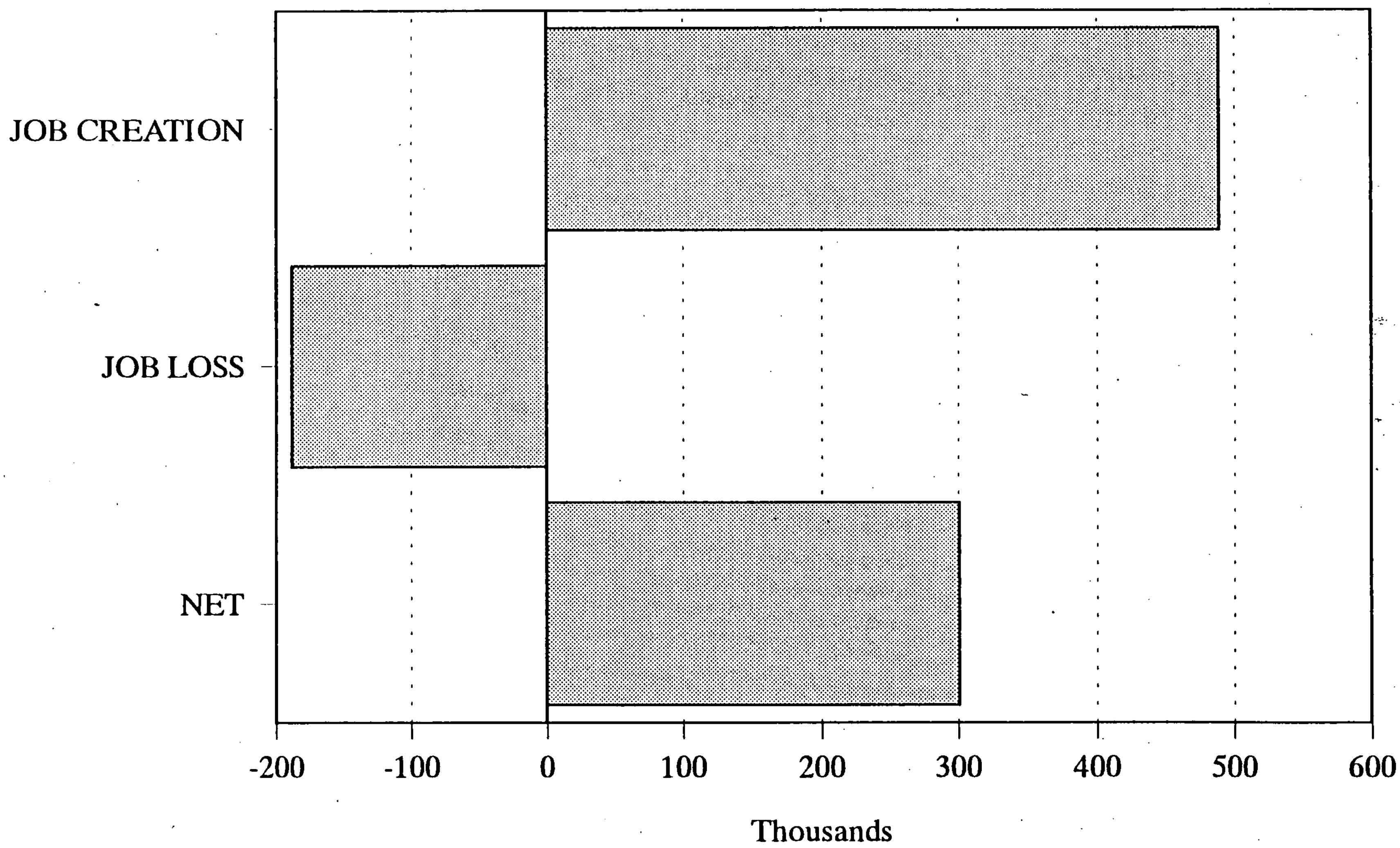
Knowledge Ratios™ measure the proportion of an industry's employment that consists of "knowledge workers" - that is, professionals; engineering, technical and scientific staff; and selected senior management.

Industries can be categorized as low knowledge-intensive (fewer than 20 knowledge workers per 100 employees); moderate knowledge-intensive (20 to 40 knowledge workers per 100); and high knowledge-intensive (more than 40 per 100).

CANADA

LOW KNOWLEDGE INTENSIVE INDUSTRIES

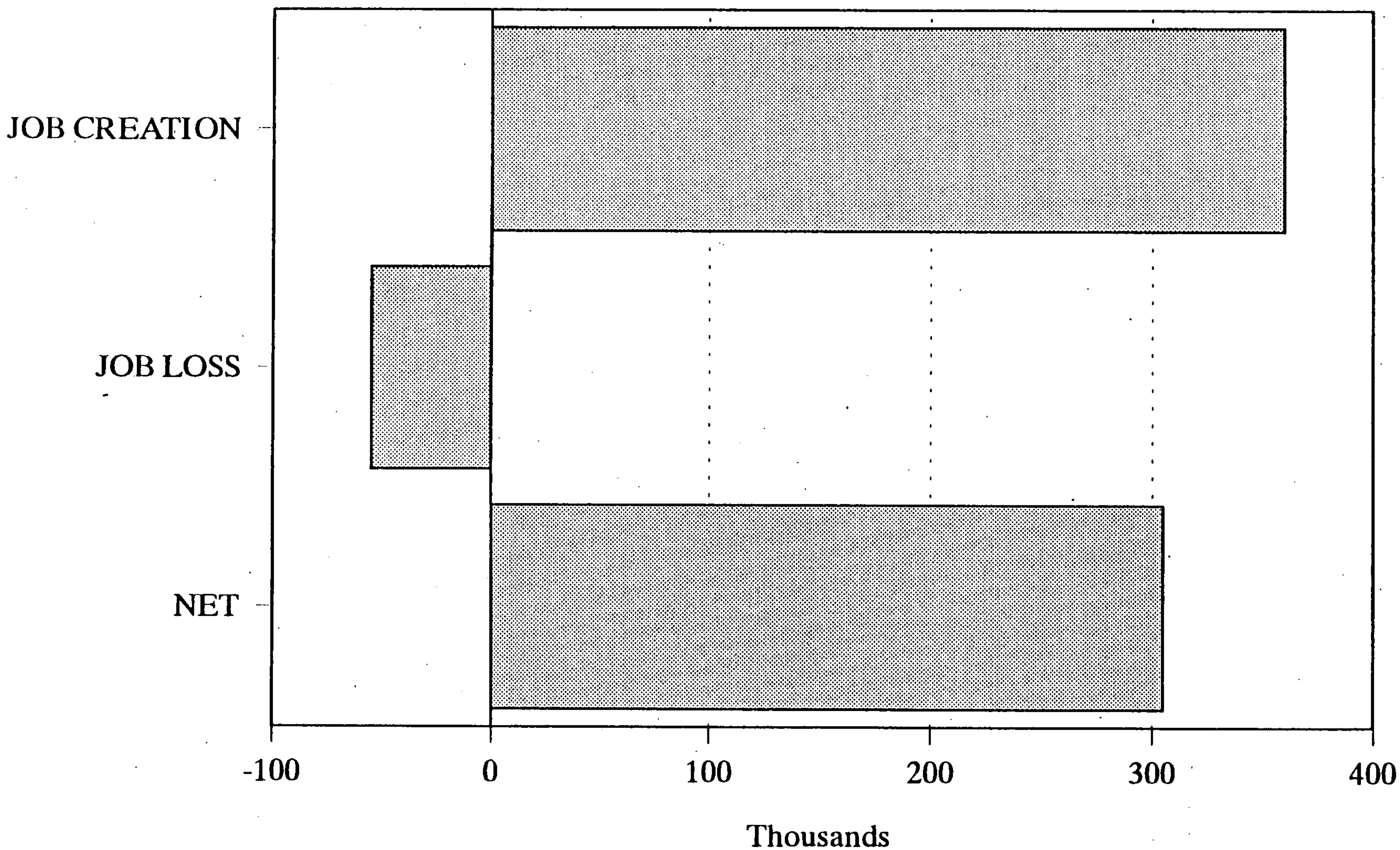
1984-1H92

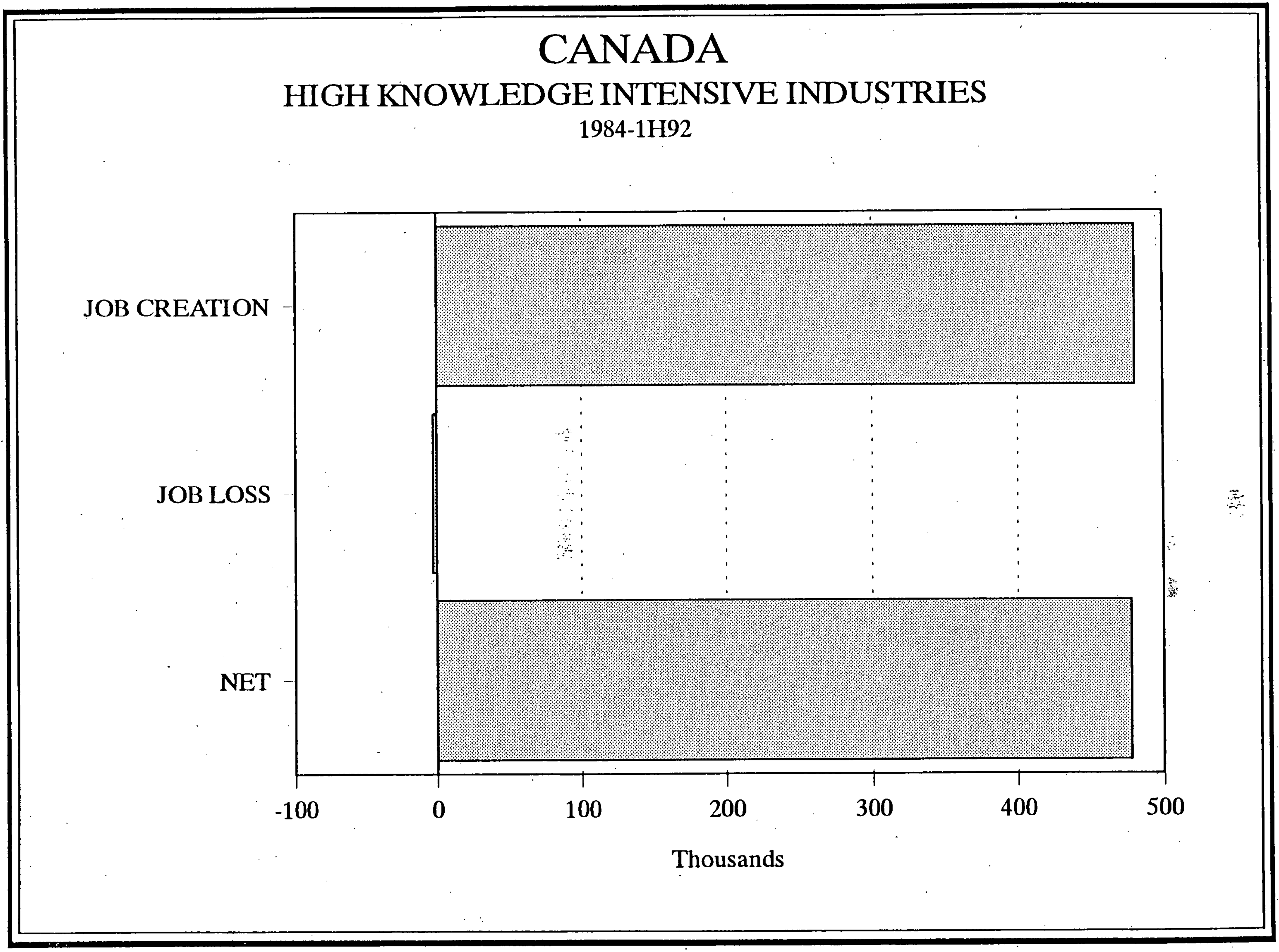


CANADA

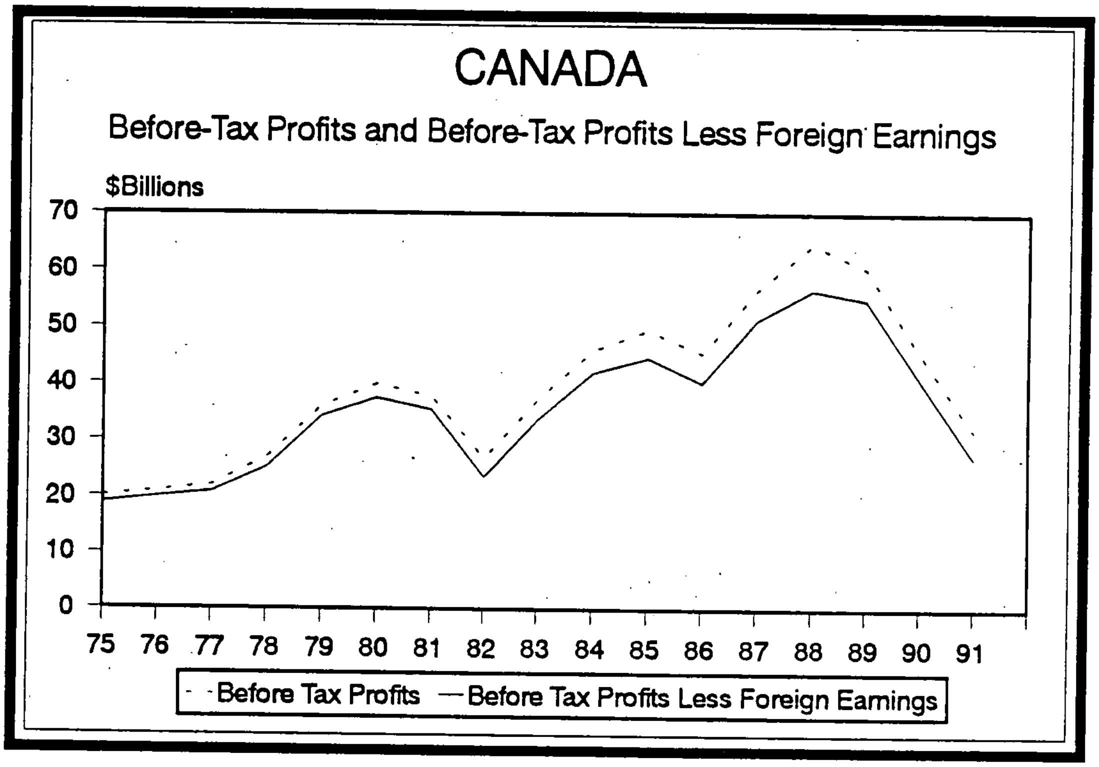
MODERATE KNOWLEDGE INTENSIVE INDUSTRIES

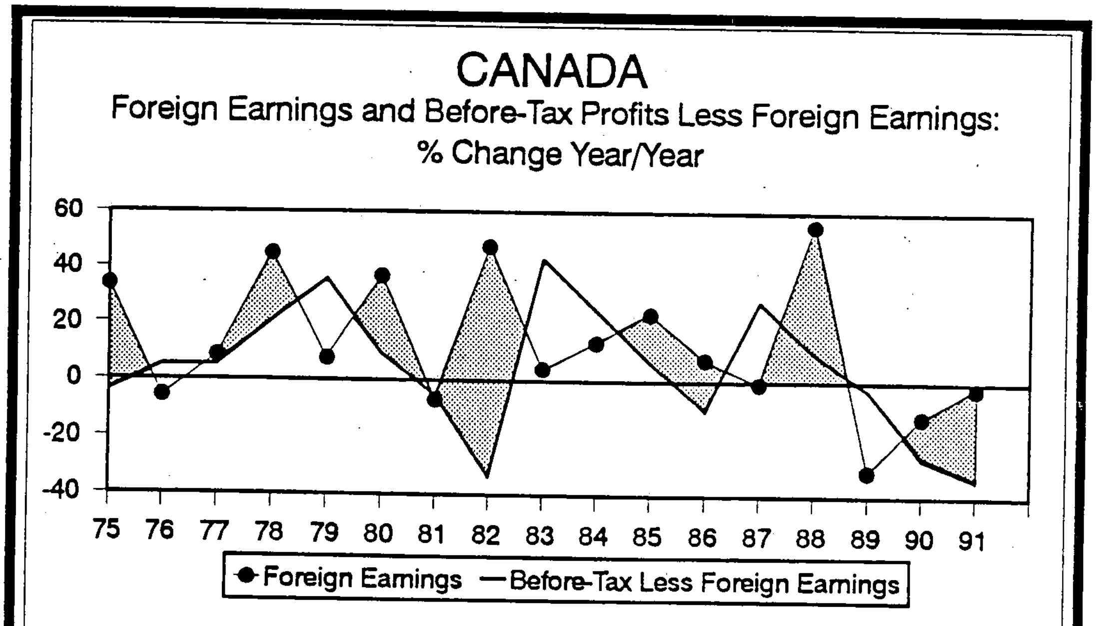
1984-1H92




CANADA
HIGH KNOWLEDGE INTENSIVE INDUSTRIES
1984-1H92
JOB CREATION
JOB LOSS
NET
-100
0
100
200
300
400
500
Thousands

CDIA has raised the level of corporate profits compared to what would otherwise have been the case and CDIA has reduced the volatility of corporate profits, thus tempering the cyclicality of employment and investment in Canada. Corporate profits are an important determinant of a company's ability to preserve/create jobs, to make capital investments, and to stay abreast of technological change either directly through its R&D programs or indirectly through technological upgrades.





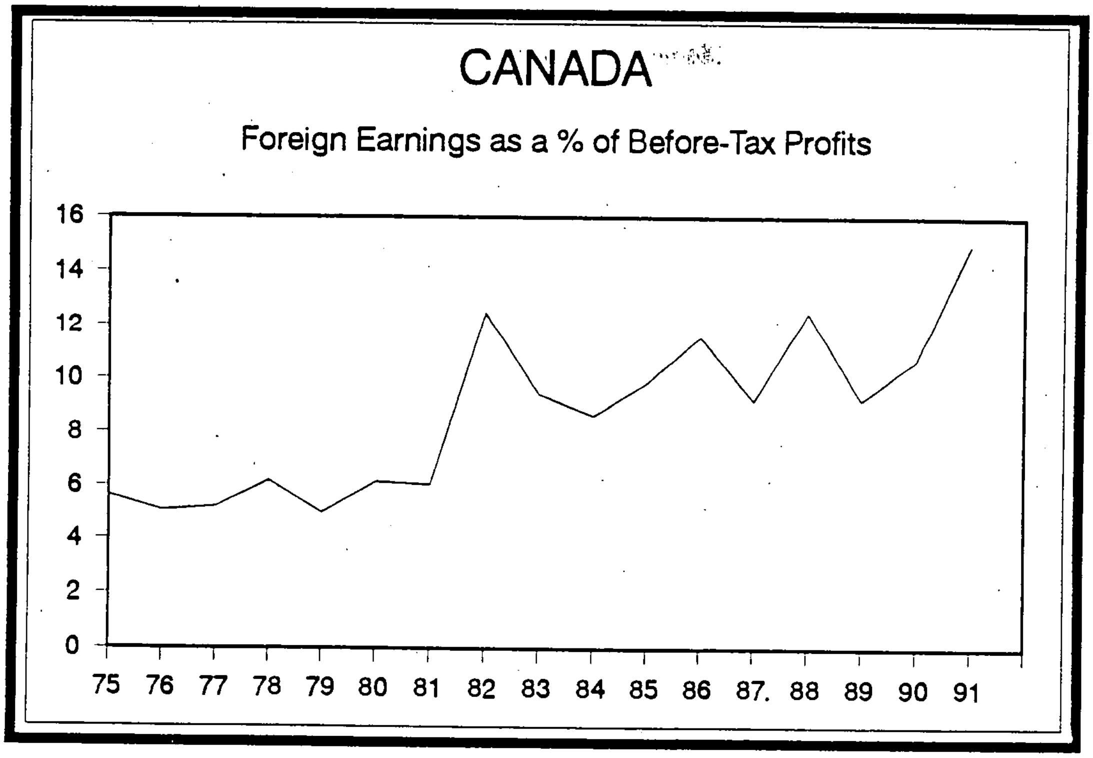
Shaded areas indicate periods when the growth in foreign earnings was greater than the growth in corporate profits
in Canada.

In a knowledge and innovation driven economy, the new "success factors" are changing from a company's reliance on physical properties, such as buildings and machinery, to a far greater reliance on intellectual properties, such as patents...and people. A high knowledge economy is central to a rising standard of living for Canada.

Jobs in high knowledge intensive industries are not easily transferred abroad to low wage-low knowledge intensive jurisdictions. It is readily apparent that high knowledge intensive industries have already become the dominant source of job creation in Canada -- and an important link exists between wage and salary levels and knowledge intensity. There is no evidence to suggest that CDIA has limited Canada's job creating ability in its high knowledge intensive industries -- in fact, the opposite may be true, as international success strengthens Canada's home base and facilitates Canada's transition to a high knowledge intensive management location.

CDIA and Economic Growth

Foreign earnings currently account for over 12.0% of total corporate profits in Canada compared to just over 9.0% of profits five years ago. As the chart below shows, corporate profits repatriated to Canada have been an increasingly important contributor to the overall profitability of the Canadian economy since 1975.



CDIA and Wealth Creation

As the tables below demonstrate, rates of return on assets and equity are higher in New Economy™ industries than in the Old Economy. Canada's emphasis on CDIA in New Economy™ sectors implies a spillover of wealth creation back to the home base as earnings from foreign operations are repatriated to Canada.

- Industries in Canada's New Economy™ have higher rates of return on average than in the Old Economy.
- Profit margins are generally higher in the New Economy™.
- In many cases, the Old Economy carries high debt loads.

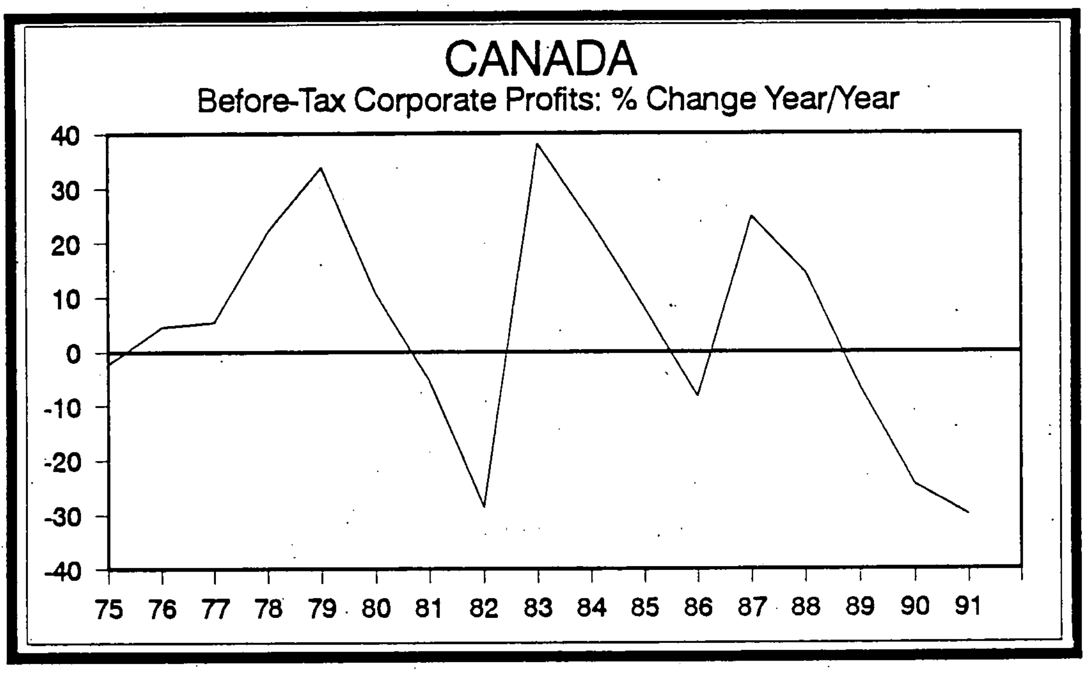
INDUSTRIES IN CANADA'S NEW ECONOMY™ 1Q92

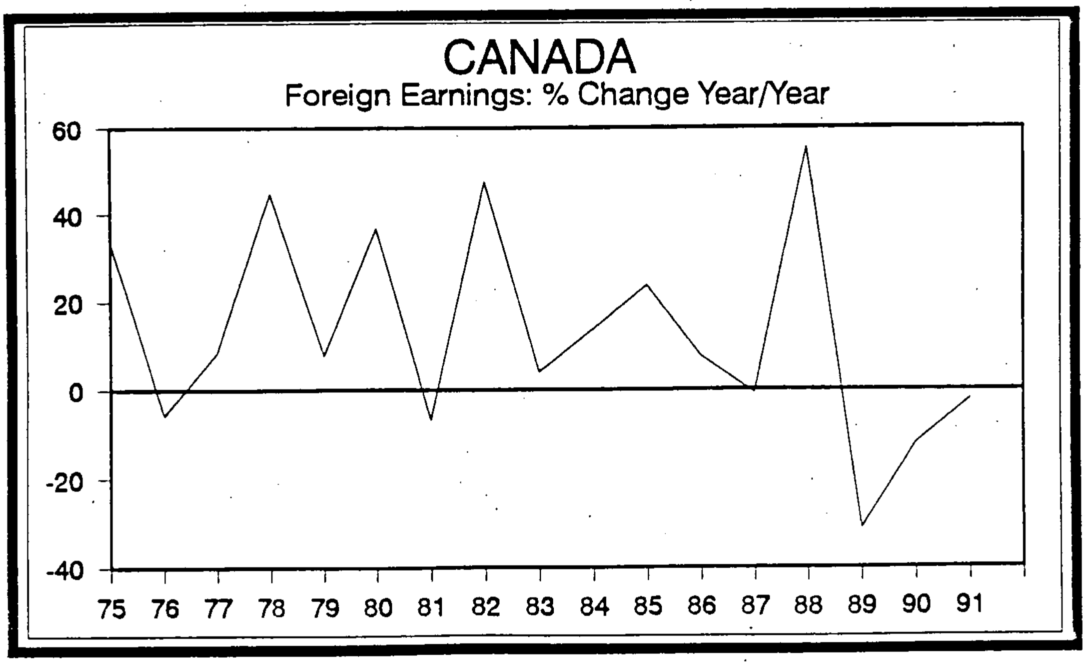
	Return on Capital Employed	Return on Equity	Profit Margin	Debt/ Equity
Electronic Equipment & Computer Services	5.30%	4.57%	6.00%	0.58
Printing, Publishing & Broadcasting	5.54%	5.47%	7.66%	0.87
Telecommunication Carriers & Postal & Courier Services	6.99%	8.75%	20.06%	0.90
Business Services	1.66%	-4.34%	1.46%	1.06
Accommodation, Food & Beverage, Educational, Health & Recreational Services	7.34%	8.27%	6.85%	1.98

INDUSTRIES IN CANADA'S OLD ECONOMY 1Q92

	Return on Capital Employed	Return on Equity	Profit Margin	Debt/ Equity
Wood & Paper	-1.76%	-9.75%	-2.68%	1.15
Petroleum & Natural Gas	3.55%	1.10%	4.79%	1.21
Iron & Steel	0.20%	-5.15%	-0.01%	0.95
Machinery & Equipment	2.17%	-0.55%	1.97%	0.78
Household Appliances	2.42%	-0.36%	0.31%	0.66

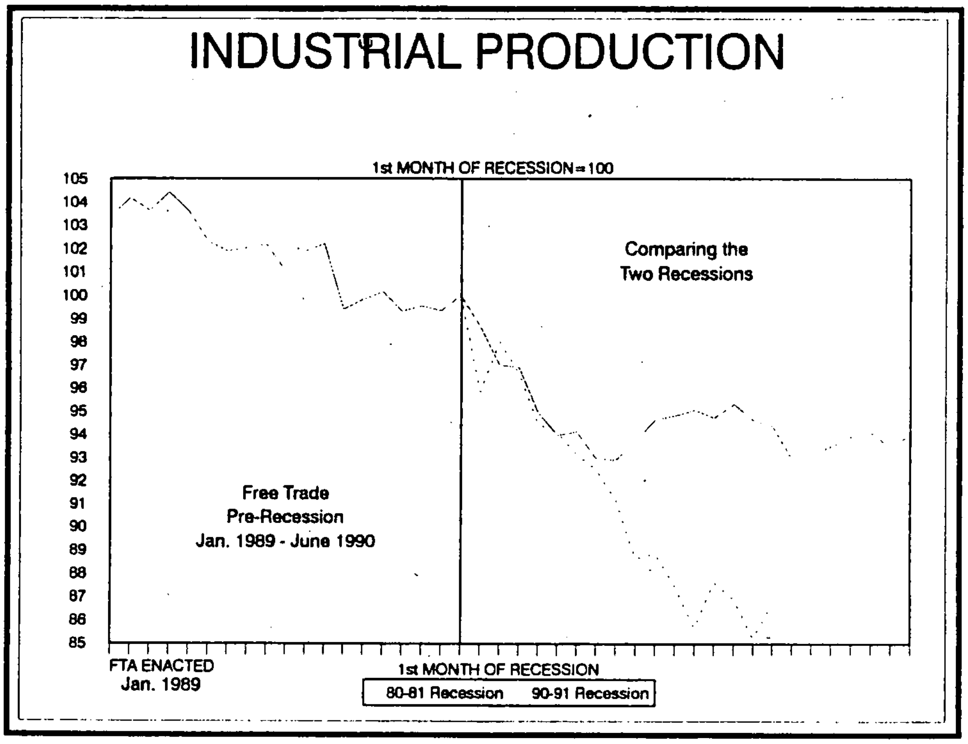
Canadian economic performance has been impacted by the depth of the 1990-91 recession and the Canadian economy has also faced unprecedented structural adjustments resulting from Free Trade. As a consequence, a definitive picture of the impact of CDIA on Canada's economic performance is difficult at this time. However, as the charts below demonstrate, Canadian corporate profits, excluding foreign earnings, would have created a more serious recession. Sharply lower profits would have forced larger layoffs and a lower level of economic activity in Canada.



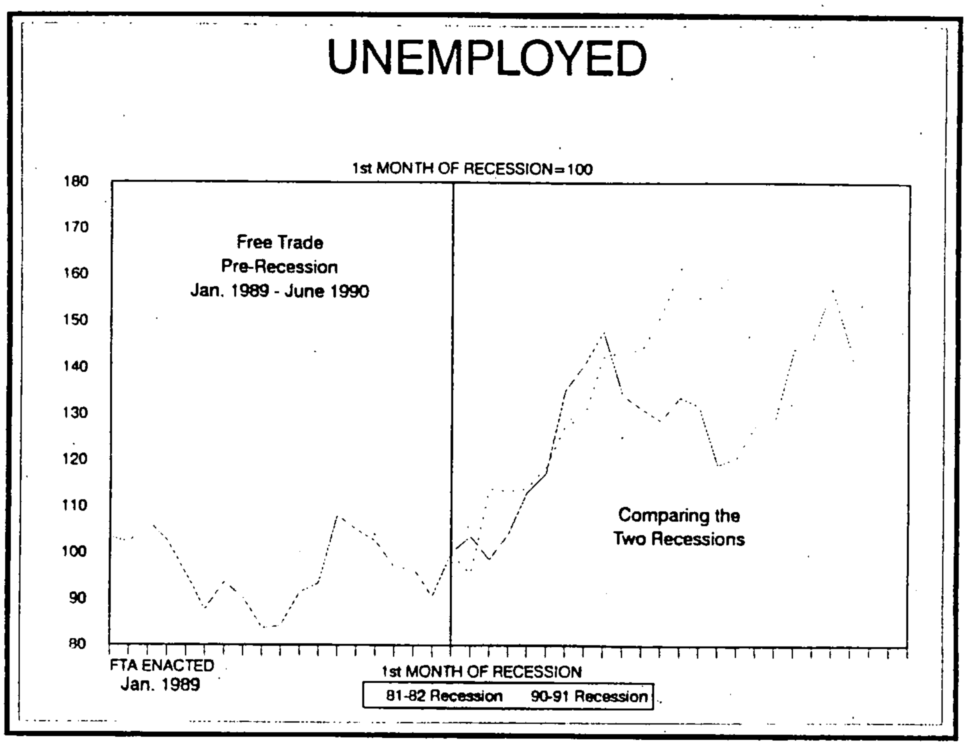


A comparison of the 1990-91 and the 1981-82 recession reveals that despite rising levels of CDIA

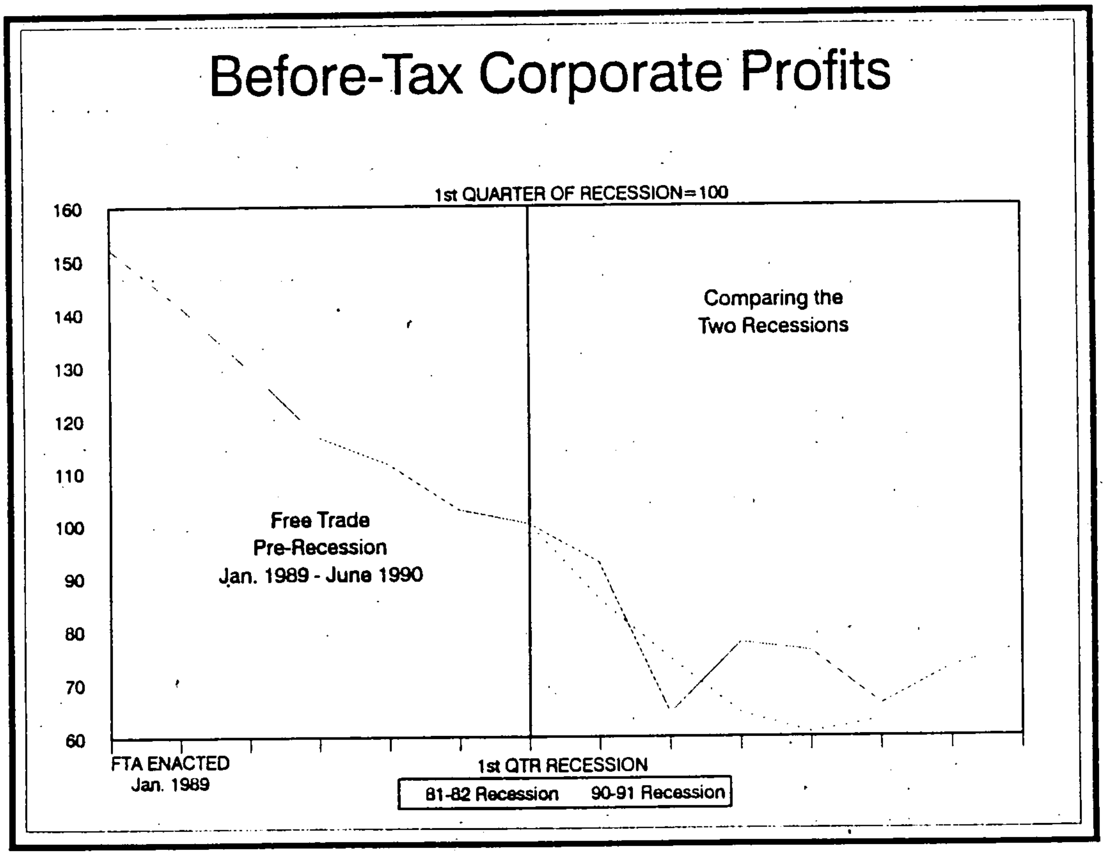
- Canadian industrial production in the 1990-91 recession has not declined as steeply as it did during the 1981-82 recession.



- The number of unemployed Canadians in 1990-91 has increased as sharply as during the 1981-82 recession.



- Corporate profits in Canada on a before-tax basis have not deteriorated as they did during the recession of 1981-82.



The analysis suggests that CDIA has not been a negative factor for Canada, nor has it appeared to create a deeper recession in Canada compared to 1981-82. Foreign earnings constitute a rising proportion of Canadian profits and appear to serve a useful role in cushioning the economy's slide into recession.

4

Nuala Beck & Associates Inc.

A CORPORATE PERSPECTIVE

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Corporate Interview Results - Round 1

Nuala Beck & Associates Inc. conducted **21** corporate interviews with Canadian firms that had engaged in Foreign Direct Investment Abroad over the period of 1990-1991. The criteria for selecting companies to be interviewed was determined by Nuala Beck & Associates Inc. in conjunction with External Affairs. The objective was to create a broadly representative sample of small, medium and large companies across a broad sample of industries. Further selection criteria were the geographic location of these companies across Canada as well as the geographic location of their Foreign Direct Investment activities internationally. A further effort was made to select Foreign Investments made in the same industry and unrelated industry sectors.

Of the 21 Canadian companies surveyed:

- 9 companies were located in Ontario
- 4 companies were located in Quebec
- 2 companies were located in Manitoba
- 3 companies were located in Alberta
- 2 companies were located in British Columbia
- 1 company was located in New Brunswick

The employee size of companies surveyed ranged anywhere between 6 employees to 72,200 employees.

The Foreign investment activity of companies surveyed extend as far back as 1871. However, most of the firms surveyed began making foreign investments in the 1980s.

The results of these Corporate interviews revealed that:

1. The majority of organizations expressed a lack of familiarity with, and indicated they did not use any government programs to facilitate their foreign investment. They felt that government programs were not critical to the success of their foreign investment activity. Only 5 out of the 21 firms (Trimac Ltd., Norcen Energy, Trimel Corp., AGRA, Lawson Mardon) either used or felt government programs were critical to their foreign investment success. These programs included:

- CIDA
- Western Economic Diversification
- MIOP
- EDC
- Other Foreign Government Programs

2. While many of the Canadian firms surveyed were not aware that the Government of Canada provided useful analysis of market conditions in their target markets abroad, 2 firms believed that governments did (Trimac Ltd., McCain Foods Ltd.), and 3 firms believed that governments, on occasion, provided analysis they could use.

3. Eight out of 21 firms (Trimac Ltd., Norcen Energy, Telus Corp., Trimel Corp., AGRA, Lawson Mardon, Bombardier, McCain Foods) visited or consulted with a Canadian Embassy or Consulate either prior to, during, or after their investment activity.

4. Six out of 21 firms felt that political and local business contacts were *very important* in their investment activity. Five out of 21 firms felt that political and local business contacts were *moderately important* in their investment activity. Six out of 21 firms felt that political and local business contacts were *not very important* in their investment activity. The remaining 4 firms felt that the contacts ranged from being *very important* to *not very important*, depending on the situation.

5. Twelve out of 21 firms *did not* consult with a Foreign Embassy or Foreign Government Department in the course of their investment activity. The remaining 9 firms *did* consult with a Foreign Government ranging from:

- The U.S. - probably federal, state or local
- The U.K.
- Mexico
- The Middle East
- Europe (west and east)
- The Far East
- South America

6. Sixteen out of 21 firms surveyed *did not* encounter any barriers to pursuing their foreign investment, while 5 corporations *did*.

7. Eight out of 21 firms reported that barriers have prevented them from making foreign investments in the past. Barriers included:

- The ability to remit hard currency earnings
- Protectionism/Ownership restrictions
- Political stability
- Tax restrictions
- The accuracy of investment advice
- Employment quotas

- Exchange rates
- Financial barriers

8. Approximately 50% of the firms surveyed reported that the nature of their investment activity has changed through time.

9. The majority (17) of firms surveyed were public, while only 4 were privately held.

10. Eight out of the 21 firms have operating facilities (branches/plants/offices) in the U.S., and 12 out of the 21 firms have operating facilities (branches/plants/offices) both in the U.S. and overseas. E-L Financial Corp. has one office in Toronto only.

11. The top ***four*** reasons for investing abroad were as follows:

- To globalize and gain market share.
- The investment opportunities were more attractive in order to maximize profits/revenues.
- To diversify into a related business and/or expand product range.
- A cost reduction strategy.

12. Eleven firms have engaged in formal/informal partnering arrangement, joint ventures or strategic alliances, while 6 have not. Details on the remaining 4 firms are as follows:

- Trimac Ltd. is currently in negotiations.
- Laidlaw Inc. is currently in negotiations.
- Cusac Industries are seeking Canadian partners.
- Domco Industries are (always) actively seeking new opportunities.

13. Foreign investment financing was predominantly via Retained Earnings, followed by Domestic and Foreign borrowing.

14. While the range of regions was quite diverse, the top four areas that were expected to offer the best investment opportunities both now and in the future were:

- The United States
- Western Europe
- Asia
- Mexico

It is worth mentioning, that the majority of Canadian organizations surveyed remain very cautious with respect to potential investment in Eastern Europe.

15. Five firms believed that trade agreements and dispute settlement mechanisms were *not important* to future investment success, 4 felt they were *important*, 9 felt they were *very important*, and remaining 3 firms stated that it would vary, depending on the situation at hand.

Corporate Interview Results - Round 2

Nuala Beck & Associates Inc. conducted 17 personal and telephone interviews with Canadian firms that had engaged in Foreign Direct Investment abroad. One firm (Gravure) declined to answer specific questions.

Of the 16 (excluding Gravure) Canadian companies surveyed:

- 7 companies were located in Ontario
- 3 companies were located in Quebec
- 3 companies were located in Alberta
- 3 companies were located in British Columbia

The Foreign Investment activity of companies surveyed extend as far back as 1871. However, most of the firms surveyed began making foreign investments in the 1980s.

The results of these corporate interviews revealed that:

1. All of the "contacts" are involved in the company's international strategic marketing and are part of the decision-making process with respect to CDIA.

2. 15 corporations are public, while 1 is private.

3. The top 5 reasons for investing abroad were as follows:
   - To globalize and gain market share.
   - To access a new market.
   - To diversify into a related business and/or expand product range.
   - To access new technologies.
   - To make a financial investment only.

4. For the most part, the end result of CDIA for the corporations was a positive one.

5. The 3 dominant activities that corporations started when they penetrated a new market were:
   - Mergers/Takeovers
   - Strategic Alliances
   - Licensing/Cross-Licensing

6. In all cases, the CDIA was in the corporation's sector or industry.

7. Only 25% of the corporations surveyed indicated that the nature of their investment activity has changed through time.

8. While a wide range of answers were given, foreign investment financing was predominantly via Retained Earnings.

9. The top 4 areas that were expected to offer the best investment opportunities both now and in the future were:

- The United States
- Europe
- Asia
- Australia

10. There was only one corporation that did not use or purchase services to assist them in making their decision to invest abroad.

11. 81% of the corporations surveyed were aware of government efforts to assist companies in foreign markets.

12. Approximately 30% of the corporations surveyed stated that the government provided useful analysis of market conditions in their target markets abroad. One firm (Bombardier), on the other hand, refused to comment.

13. The top 6 government programs that a corporation participated or used were as follows:

- the Canadian Trade Office at the Embassies abroad
- CIDA
- Sector Roundtables
- Investment/Technology seminars or missions
- Trade Fairs
- Provincial Programs

14. Eight out of the sixteen firms surveyed claimed they did not visit or consult with a Canadian Embassy or Consulate in the course of their investment activity.

15. The majority (Although TCG/Glenayre did have a significant barrier) of firms surveyed did not encounter any major barriers to pursuing foreign investment either in Canada or abroad.

16. 7 of the 17* firms surveyed stated that new forms of government assistance would be useful in facilitating CDIA. The responses were as follows:

- ***Agra:*** ***Should concentrate more on trade than aid. Government should provide support services for manufacturing instead of services in support of services.***

- *Apotex:* *Lines of credit.*

  Provincial programs through MITT are helpful; e.g., they went to them to ask that programs were available to go into Czechoslovakia. MITT advised them and set up assistance for them.

  Fed agencies sometimes give the appearance of looking for excuses to say no rather than help them through the application process.

- *Bombardier:* *From their perspective, cheaper financing could go a long way to eliminate barriers.*

  Use the loopholes other countries use; e.g., R&D grants are not called grants but "contracts".

- *Confed:* *No.*
- *Domco:* *Hadn't given it much thought.*
- *E-L Financial:* *Not relevant.*
- *Gravure:* *Did not respond.*
- *IAF Biochem:* *There are too many programs. They should be consolidated into fewer programs, and coordinated in one office.*

  More should be done to encourage R&D in Canada through tax breaks and more flexible share issuance provisions for employees, etc.

  Risks are high in R&D - they need some breaks to encourage more of it. In effect, they want to share the risk.

  Tax credit for salaries (reference pharmaceutical R&D) was more generous in Quebec than in other Provinces and this has had beneficial results for that Province.

- *Laidlaw:* *No.*
- *Loewen:* *No.*
- *Norcen:* *No.*
- *Scott's:* *Hadn't really thought out what they should be doing or what they should be using.*

- *TCG/Glenayre:* *U.S. is over-regulated, too many filings, injury logs - minority employment requirements. Great to get tax benefits for globalizing. Lots to help exports, but could use help on imports. PEMD to help import from Eastern Europe to Canada.*

  FTA should solve Hart-Scott-Rideno problem.

- *Telus:* *No immediate needs.*
- *Trimac:* *Declined comment.*
- *Trimel:* *Should be better screening of proposals and compliance (e.g., immigrant program).*

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Nuala Beck & Associates Inc.

THE ROLE OF GOVERNMENT

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The Role of Government

The following programs were referenced in order to determine the extent of the government's involvement in the private sector's foreign investment programs.

I. FEDERAL GOVERNMENT

A. GENERAL

-Trade Commissioners and Commercial Offices

B. SPECIFIC

- CIDA
- Industrial Cooperation Program (INC)
- Technology Inflow Program (TIP)
- Investment Development Program (IDP)
- Program for Export Market Development (PEMD)
- New Exporters to Overseas (NEXOS)
- International Trade Data Bank
- EDC - Foreign Investment Insurance and other Services
- FBDB (Indirect Assistance Only)

C. PROGRAMS OF ISTC

- Capital Projects
- Discovery Program
- Manufacturing Visits Program
- Market Intelligence Reports
- Exporters Programs (in connection with NEBS and NEXOS)
- Microelectronics and Systems Development Program

II. PROVINCIAL - ONTARIO

A. MITT

Trade and Investment Support Branch

- Strategic Alliance Program
- Trade Expansion Fund (NEBS and EURONEX)
- Investment Marketing Section

B. EXTERNAL OFFICES

- Domestic Business Information Centres

- Ontario International Corporation (International Projects Fund/Business Development Counselling/ Consortia Assistance Program)

- Special Trade Missions

III. PROVINCIAL - OTHER

Western Economic Diversification (QAAP and IMI)

Corporate Survey Implications

We found fewer companies than we had anticipated who were using or were directly aware of government programs that could be helpful in facilitating their investment activities abroad. The most significant finding of the study is that the private sector firms surveyed claim not perceive a great need for government programs or for government to involve itself in CDIA. In addition:

- ***The majority of companies interviewed stated that they were not familiar with nor did they use any government programs to facilitate their foreign investment.***
- ***It was not uncommon for interviewees, when queried about their use of Canadian Government programs to respond that no government programs have been used "because we're not familiar with any".***
- ***When companies were asked whether, in their opinion, the Canadian government provided useful analysis of market conditions in their target markets abroad most responses were negative. A minority believed the Canadian government provided some useful analysis.***
- ***A significant number did visit the Canadian Embassy or Consulate in the course of their investment activities.***
- ***Survey respondents were in contact with Foreign Governments at a slightly higher rate.***
- ***Local political and business contacts were clearly more important to survey respondents. The majority felt that local political and business contacts were either very important or moderately important in their investment activities. This was predominantly the case among medium and small companies.***

Current Use of Government Programs

Round 1 of the corporate interviews indicated that at least 4 government programs were either used directly, or were considered to be important by the Canadian companies interviewed in their foreign investment activities. These programs were:

- CIDA - Canadian International Development Agency

- WED - Western Economic Diversification
- MIOP - Manitoba Industrial Opportunities Program
- EDC - Export Development Corp.

Round 2 of the corporate interviews produced somewhat different results:

- the Canadian Trade Office at Embassies abroad
- CIDA
- Sector Roundtables
- Investment/Technology seminars or missions
- Trade Fairs
- Some Provincial Programs

The Future Role Of Government

The results of this study imply four broad conclusions with respect to the role of governments in promoting Canadian direct investment abroad.

- *First: that existing Government programs are not widely appreciated by Corporate Canada.*

- *Second: that Canadian Embassies and Consulates are not being used to the extent that they could be.*

- *Third: that local contacts of a political or business nature are of great value to Canadian companies investing abroad.*

- *Fourth: Current local market analysis provided by government sources is not being used effectively.*

The Need for Further Assessment

The survey could not include companies which seriously investigated CDIA but did not follow through. As well the survey could not reach down to the lower levels of corporate involvement where information or assistance may ultimately have been sourced through a government program. The sample size was also a limitation. Thus the survey results should be interpreted as potentially significant, but should not be used as the final basis for evaluating the existing role of government in promoting CDIA.

Foreign Government Programs

Meetings were conducted in Washington D.C. during the week of December 7, 1992 with the following individuals:

Mr. Richard Eberhart,
Director, Investment Analysis,
U.S. Department of Commerce

Mr. Christopher Lion,
International Economist,
Office of Multilateral Affairs,
U.S. Department of Commerce

Mr. Michael Samuelian
Deputy Director Trade Promotion Coordinating Committee,
U.S. Department of Commerce

Mr. Tom Pierpoint
Investment Officer,
U.S. Department of Commerce

Mr. Michael Pulch
German Embassy

Mr. Masatoshi Toriihara
Minister,
Japanese Embassy

Like Canada, the U.S. has a variety of programs that aid FDIA, both directly and indirectly. Many programs are linked, using several departments and may have their focus in the U.S., or abroad through Embassies or Consulates.

The International Trade Administration (Department of Commerce) provides assistance through: country experts, industry experts, domestic and overseas commercial offices. Regional business centres have been established to respond to the need for business information or new opportunities for trade and investment in various regions of the world. The U.S. and Foreign Commercial Services has a network of trade specialists at home (67 cities) and abroad (67 countries) to provide information on foreign markets, trade leads and counselling on business opportunities abroad.

Under the Trade and Investment Services Program, the resources of the International Executive Service Corp. (CESO equivalent) are used to link U.S. businesses in the developing countries and former COMECON nations. Investor services are offered through OPIC (Overseas Private Investment Corporation), and are designed to assist smaller U.S. firms with their overseas investment planning and implementation needs. More specifically, this includes counselling on business plan development, project structuring, joint venture partner identification, and location of financing (Investor Information Service; Opportunity Bank; Investment Missions; Development Funds; Investment Insurance; Finance Programs medium and long term; Lease Financing; etc.).

The Agency for International Development operates a number of programs designed to assist private sector U.S. investment programs that aid third world countries..

A variety of data banks and identification services are also available to source information on foreign markets and companies. Technical assistance is provided through a variety of agencies and departments.

Our discussions on Japanese programs were somewhat more limited. They included Investment Promotion (JETRO); Foreign Direct Investment Loans (EXIM); National Resource Development Loans and Direct Investment Insurance (MITI).

The thrust of German assistance appears to be totally concentrated or directed to investment in the former GDR or New Lander. The number of programs and the scope of the assistance is quite extensive. While there are undoubtedly programs similar to those in Canada and the U.S., the emphasis, at least over the near term, is directed to the rebuilding of East Germany.

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Nuala Beck & Associates Inc.

A ROADMAP FOR THE FUTURE

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A Roadmap For The Future

The nature of Canadian Direct Investment Abroad is changing in step with a changing global economic and financial structure. It is no longer accurate for Canadians to believe that Canadian investment abroad represents simply an attempt by Canadian companies to lower their costs, or reduce their taxes, or circumvent Canadian legal or regulatory frameworks.

In the new economy of the 1990's, a new strategic imperative has arisen -- and Canadian companies are responding to the new challenges of the global marketplace via outward bound investment. The challenge clearly is to internationalize, and in so doing, to become big -- and smart -- and strong, and in the jargon of the 1990s, to become a truly "global player".

The alternative to globalization for Canadian companies in many industries is not an attractive proposition. To the extent that foreign companies have moved into North America (foreign investment into North American reached almost tidal wave proportions in the latter half of the 1980s), Canadian companies have thus been forced to meet international standards of production, technology, costs, and product specifications, without even venturing abroad into international markets, or face the very real threat of being driven out of business on their home turf. It is not in the least surprising that many Canadian companies have opted to globalize in a proactive as opposed to a purely reactive way -- and in so doing, they stand to strengthen their home base.

Although it may be many years before the final implications of Canadian Direct Investment Abroad are fully known or understood, it is unequivocally clear that the three main factors driving Canadian foreign investment are:

- The imperative to globalize and gain market share.
- Attractive investment opportunities abroad that will maximize profits and Canadian shareholder returns.
- To diversify the company's product base or expand its product range.

Outward Bound Issues

A range of issues may ultimately arise as a result of outward bound investment:

- **Trade Wars versus Capital Wars:** The growth of world trade, fueled by Japan's export successes in the 1970s and early 1980s, led in part to the rising tide of trade protectionism by the mid 1980s. The creation of free trade initiatives and trade blocs evolved as a principal means of preventing trade wars on a potentially significant scale. As Foreign Direct Investment gathers further momentum through the 1990s, a fear of trade protection may be displaced by concerns over capital protection, as countries attempt to stem the flow of dividend and capital repatriation. Trade agreements may give way to a new need for negotiating the orderly flow of capital back to a company's home base.

- **The Truly Level Playing Field:** Foreign Direct Investment may give rise to greater pressure on governments for legislative homogeneity. As Canadian companies gain greater experience operating in foreign jurisdictions (tax, legal, financial, environmental etc.) added pressure may be brought to bear on Canada to conform to the standards that either already exist abroad or to the standards that may evolve through time. The globalization of Corporate Canada may result through time in the globalization of government policies to a degree that has not been fully anticipated.
- **The Hollowing Out Effect:** Given the nature of CDIA to date, where the main motivation is to globalize, an obvious potential side effect is the extent to which Canadian companies may consolidate production or distribution facilities abroad in the future.
- **Income Issues:** Enhancing shareholder returns via CDIA may be an eventual positive to the performance of pension fund performance in Canada. As Canada's population ages and approaches retirement age, enhanced pension fund performance may translate into enhanced pension benefits, should rates of return rise in Canada as the result of CDIA. Existing pension legislation that limits foreign investment of pension fund assets may become less meaningful through time to the extent that Canadian pension funds choose increasingly to invest in Canadian companies that have invested heavily abroad.
- **Monetary Management & Currency Issues:** As a larger and larger share of Canadian corporate earnings are derived from operations abroad, the management of the Canadian dollar may take on new and added significance. It is already a fact of life in the United States that over 25% of U.S. corporate profits are tied directly to changes in the value of the U.S. dollar via the currency translation of foreign earnings into U.S. dollars.

The Evolving Role of External Affairs

The role of External Affairs may also evolve as new imperatives arise that require a broader integration of political, economic and investment functions.

Of greater immediacy is the need to further identify the range of Corporate Canada's existing needs which presently revolve around the following:

- External Affairs' role in marketing existing government programs to the high proportion of Canadian companies that currently deal with the Department in the course of their foreign investment activities.
- External Affairs may be well positioned to respond to the new and changing needs of companies involved in CDIA.
- Broader use of Embassy and Consulate contacts in local markets could be explored.

- Value added analysis of local market conditions could be explored by External Affairs and niche markets could be identified that build directly upon the existing expertise of the Department.
- A more aggressive use of computer accessible data banks could be explored, including accessing U.S. and other countries' data bank information on foreign markets/opportunities.

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NOTES FOR THE READER

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Notes for the Reader

1. Direct Investment (Canada)

Direct Investment (asset and liability) represents the investment which allows the investor, on a continuing basis, to influence or to have a voice in the management of an enterprise. For operational purposes direct investment is usually identified by ownership of at least 10% of the equity in an enterprise, and covers claims intended to remain outstanding for more than one year. Differences between the flows and the changes in the book value of direct investments arise from exchange rate fluctuations, undistributed earnings, variations in the time periods, corporate reorganizations, the migration of principal owners and shift between direct and non-direct investment arising from changing ownership.

2. Direct Investment (United States)

Foreign Direct Investment measures the extent to which foreign firms or individuals gain control over U.S. production. This element of control distinguishes direct investment from portfolio investment. According to the Department of Commerce's definition, FDI occurs when a single foreign resident (usually a firm) acquires 10% or more of the equity in a U.S. firm. The idea is that a 10% stake is a large enough block of shares to provide the investor an effective say in the operation of the firm. It turns out that on average, foreign parent firms hold equity stakes of nearly 80% in U.S. affiliates; that is, FDI in the U.S. typically involves majority rather than fractional ownership by the foreign investor.

3. Canada's International Investment Position

Canada's International Investment Position is the balance sheet of Canada's external assets and external liabilities. These data reveal the extent to which Canada has been both a receiver from and a supplier to the rest of the world of real and financial resources.

Series from 1983 onwards may not be directly comparable with prior years. Modifications have been made to the CDIA data. The direct investment of the Canadian chartered banks (Schedule A) is now shown under direct investment for the 1983-1987 period. Previously, this investment was classified under other international activities of the Canadian chartered banks on a net asset/liability basis. In the modified version, the activities of the banks as intermediaries is still shown on a net asset/liability basis. With this reclassification, the treatment of Schedule A banks is similar to that for Schedule B banks, which is shown under foreign direct investment in Canada.

The series on foreign direct investment and on foreign ownership of Canadian stocks represents foreign investment **in Canadian enterprises**, and no longer **in Canada.**

4. Outward Bound Investment (Appendix)

- CP Ltd.'s **Primary** SIC Code is classified as "4011" (Railroads, Line-Haul Operating), and not "0831" (Forest Nurseries and Gathering of Forest Products). SIC "0831" should be classified under "other".
- SIC "6712" (Offices of Bank Holding Companies) and SIC "6719" (Offices of Holding Companies, nec.) should never be classified under **Primary** SIC Code, but rather under "other".
- SIC Codes included in the Appendix are *four* digit codes; hence "831" in actuality is "0831".
- Hollinger Inc.'s **Primary** SIC Code is "2711" (Newspapers: Publishing, or Publishing and Printing).
- Fahnestock Viner Holdings Inc.'s **Primary** SIC Code is "6211" (Security Brokers, Dealers, and Flotation Companies).
- Onex Corp.'s **Primary** SIC Code is "5812" (Eating Places).
- CCL Industries Inc.'s **Primary** SIC Code is "2844" (Perfumes, Cosmetics, and other Toilet Preparations).
- Thomson Corp.'s **Primary** SIC Code is "2721" (Periodicals: Publishing, or Publishing and Printing).
- Laidlaw Inc.'s **Primary** SIC Codes are "4953" (Refuse Systems) and "4151" (School Buses).
- AGRA Industries Ltd.'s **Primary** SIC Code is "1629" (Heavy Construction, nec.)
- Bombardier's **Primary** SIC Codes are "3743" (Railroad Equipment), "3799" (Transportation Equipment, nec.) and more recently "3519" (Internal Combustion Engines, nec.)