



Direct Investment Abroad: A Strategic Tool for Canada

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Investing Abroad a Strategic Tool

- Can be a better strategy than exporting
- Access to markets, resources, technologies
- Carries benefits for Canada, regions
- Not all investments alike
- Short term v. long term
- More nuanced than “shipping jobs overseas”

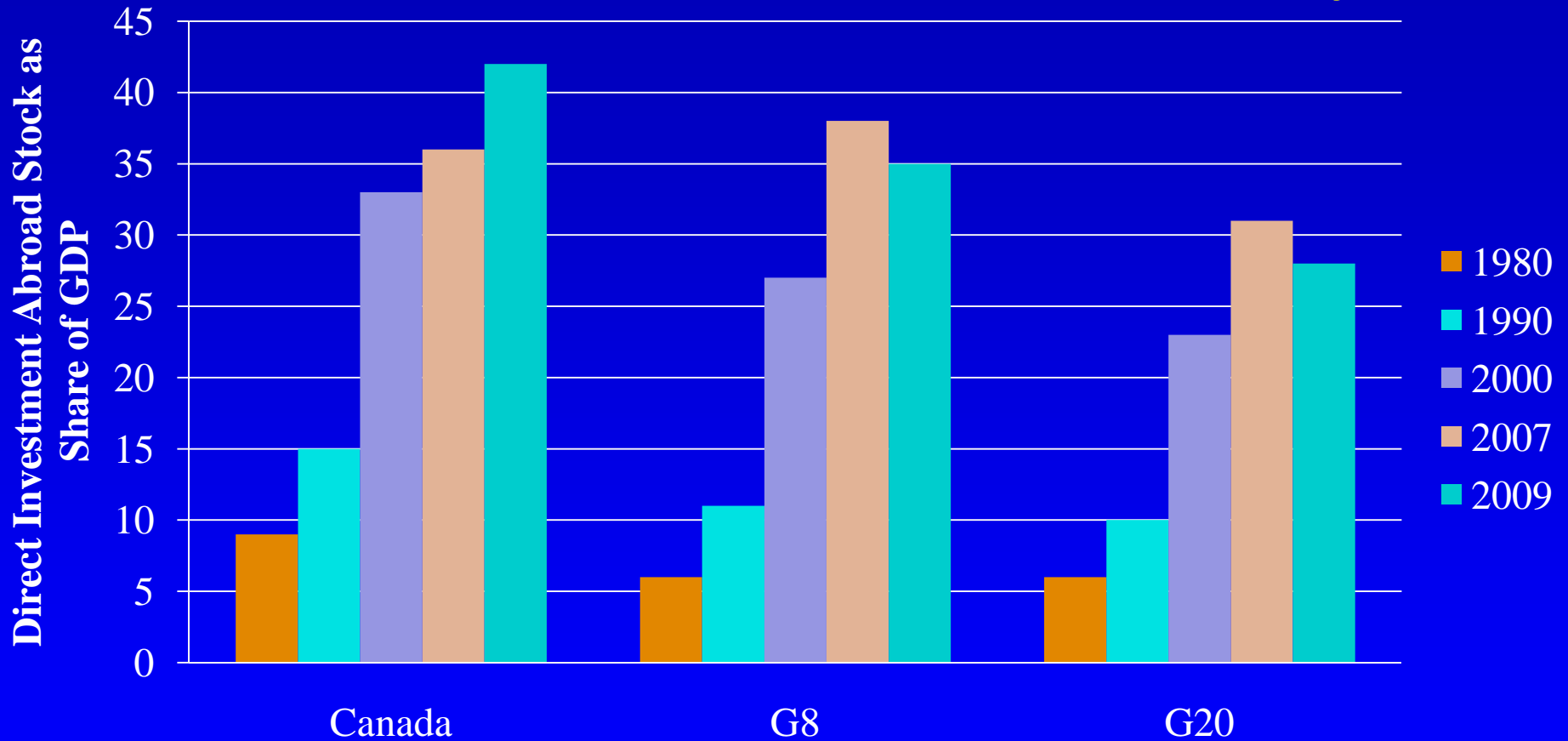


What is Direct Investment Abroad?

- Stake in operations
- Differs from portfolio investment
- Both greenfield and M&A



CDIA Relative Success Story



Source: UNCTAD, World Investment Report 2010

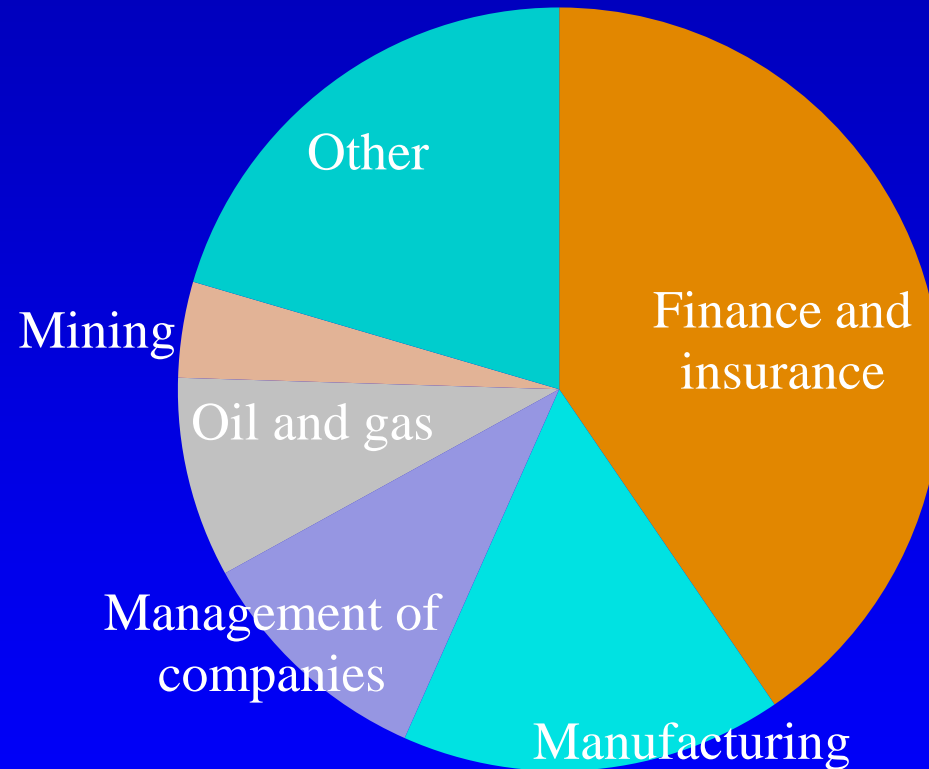


But Competition Intensifying

- Rapid growth in direct investments from emerging markets
- Canada's global share on steady decline
- CDIA mostly in US, Europe
- CDIA growth in emerging markets; still small



More Services-Oriented than Exports



Source: UNCTAD, World Investment Report 2010



Financial Services Companies Leaders*

	Global Orientation Rank	Number of Foreign Affiliates	Number of Countries
Scotiabank	17 (25)	106 (60)	25 (20)
RBC	26 (26)	100 (161)	18 (16)
Manulife	33 (40)	43 (61)	14 (9)

* Data for 2009 (2006 in brackets).

Source: UNCTAD, World Investment Report 2010 and 2009

Effects of CDIA: Motivations Matter

- Why invest abroad?
 - Access to markets, resources, technologies
 - Access to expertise or low cost labour
 - Ensure secure supply or control quality
 - Protect competitive position
 - Escape home environment



Likely Effects on Companies

- Company performance
- Company risk



Likely Effects on Canada and Companies

- Productivity in Canada +
- Canadian trade +
- Investments in Canada
- Repatriated profits
- Jobs in Canada
- Skill levels in Canada



Boiling it Down

- CDIA good for companies but not for Canada?
- Best companies invest abroad to improve performance
- Expanded activity abroad coincides with expanded Canadian activity
- At worst, short-term job losses but find jobs quickly
- May have been worse without investments abroad
- May ease labour shortages



Boiling it Down

- If growth, efficiency-motivated (most CDIA), better for Canada
- If escaping home conditions, not as good
- Better for Canada if activities abroad complementary
- Could hollow out Cdn innovative capacity if shift high-skilled activities abroad
- Risks high, higher for smaller companies
- Performance improves only if have something to offer



Businesses Should

- Go abroad if you are doing well and have clear goals
- Consider that failure to protect position could mean losing out in new and traditional markets
- Consider that Cdn dollar makes CDIA more attractive
- Weigh increased risks – will rewards compensate?
- Consider unintended impacts on Canadian operations



Governments Should

- Raise profile of CDIA, keep in mind long-term effects
- Invest at home to promote the most beneficial CDIA
- Not penalize CDIA; remove barriers to it
- Consider labour shortage implications
- Provide information re opportunities
- Not block investments into Canada
- Mitigate negative CDIA effects





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