

## Foreign Investment Driving Jobs and Growth at Home: New Study by EDC

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Export Development Canada (EDC) today released a ground-breaking study that has shed new light on why Canadian companies invest abroad, and the benefits to Canada's domestic economy.

The study's findings challenge commonly held beliefs about Canadian companies and their foreign investments, particularly the myth that Canadian investments abroad erode domestic job numbers.

Rather, as the survey of 546 Canadian companies demonstrates, investing overseas has led to increased job numbers at home.

"The traditional model of exporting from Canada is simply not possible in many international markets. Canadian companies now need to establish a footprint outside of our country to access opportunities and create value for their foreign customers. It is exciting to know that the resulting investments create positive outcomes for not only competitiveness, but jobs in Canada," said Benoit Daignault, President and CEO, EDC. "We hope these findings prompt Canada's business ecosystem to further advance the discussion around Canadian investment abroad and ensure that our companies are well prepared to benefit from this trade engagement model and further diversify globally."

The top five findings of the report:

- Strategic growth—the main driver of foreign affiliate activity is strategic revenue growth and improved access to global markets: reducing production costs is not a prime motivator for Canadian companies when setting up operations abroad.
- Competitiveness—foreign affiliate activity makes Canadian companies stronger: they have better sales, more customers, more profits and increased market share.
- Diversification—foreign affiliates allow Canadian companies to diversify their client base and business model: Canadian companies are increasingly shifting their investments towards emerging markets like China, India, and Brazil at a much greater pace than direct exports.
- Employment—foreign affiliates strengthen Canadian employment and domestic operations: most firms are hiring more at home as a result of their foreign operations.
- Wages—foreign affiliates enhance the ability of Canadian companies to augment compensation for Canada-based employees: most firms are hiring more at home because of the increased demand that comes from foreign operations, and that hiring is increasingly specialized with higher wages.

"Foreign affiliates allow Canadian companies to compete more effectively through global value chain networks, a critical platform if they are to take advantage of the explosive growth in consumer revolutions happening in emerging markets," said Peter Hall, Vice-President and Chief Economist, EDC.

“Meanwhile we see that foreign affiliates are growing employment and wages here at home while also helping grow Canada’s influence abroad”, Hall explained. “These benefits will only grow as the world’s economic center of gravity shifts toward Asian powerhouses like China and India.”

EDC’s analysis of 2013 numbers (the last year for which data is available) shows the value of foreign affiliates sales (CAD 510 billion) is almost equal to direct exports of merchandise and services (CAD 565 billion) and is a driving force behind Canada’s international trade. However, foreign affiliate sales (FAS) grew at nearly double the rate of Canada’s direct exports between 1999 and 2013, increasing by 61 per cent and 33 per cent respectively.

The same is true for FAS from emerging markets, which grew by 267 per cent between 1999 and 2013, as compared to 23 per cent from the US and the OECD countries over the same period. “Emerging markets already account for over a fifth of total FAS, and the vastly greater growth suggests that diversification will continue”, added Hall. “This adds to the dramatic diversification of exports into emerging markets since 2000.”

The notion that foreign investments were only made by large Canadian companies was also challenged by the survey results, with 37 per cent of respondents being in the small-to medium-sized segment. Canadian companies also had an overwhelming preference for wholly-owned or majority owned foreign affiliates (77 per cent of respondents), as opposed to minority ownership stakes in joint ventures (16 per cent of respondents).

For more facts and figures please consult the [Foreign Footprints](#) complete report.

#### **About EDC**

*EDC helps Canadian companies go, grow, and succeed in their international business. As a financial Crown corporation, EDC provides financing, insurance, bonding, trade knowledge, and matchmaking connections to help Canadian companies sell and invest abroad. EDC can also provide financial solutions to foreign buyers to facilitate and grow purchases from Canadian companies.*