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# Foreign Control of Canada's Merchandise Exports, 2002

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### Note of Appreciation

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## Overview

Foreign control of a country's economic assets is of great interest to industry and policy makers alike. The lowering of barriers to trade with the United States (U.S.) has made it easier, not only for Canadian exporters to do business and invest in the U.S., but also for foreign enterprises to establish a physical presence in Canada in order to gain better access to the lucrative North American market.

In 2002, foreign controlled enterprises held approximately one-fifth of corporate assets in Canada and generated 30% of total operating revenues;<sup>1</sup> by comparison, 45% of Canada's merchandise exports came from foreign controlled exporting establishments in 2002. With Canada's merchandise exports representing 30% of gross domestic product (GDP) in 2002,<sup>2</sup> the extent of foreign control in this area is important.

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1. *Corporation Returns Act, 2001 & 2002*. Statistics Canada, Industrial Organization and Finance Division (IOFD). Catalogue 61-220-X.
  2. Statistics Canada, CANSIM table 380-0030, *GDP at Market Prices*.

## Highlights

- Based on Statistics Canada's 2002 Exporter Register, there are 3,597 foreign controlled exporting establishments operating in Canada, or around 9% of the total number of exporters on the Register, these establishments accounted for almost half of Canada's exports.
- In 2002, foreign controlled exports were concentrated in the manufacturing sector. Manufacturing accounted for 70% of the total export value of exporting establishments.
- The Transportation equipment manufacturing industry had the greatest proportion of foreign control in 2002; 80% of the value of exports came from foreign controlled exporting establishments.
- In 2002, 18% of foreign controlled exporting establishments sent goods to five or more countries compared to just 6% of Canadian controlled enterprises.
- The proportion of foreign controlled exporting establishments that exported to non-U.S. destinations (45%) in 2002 was significantly higher than that of Canadian controlled exporting establishments (29%).

## Findings

### More export intensive

Based on Statistics Canada's 2002 Exporter Register, there are 3,597 foreign controlled exporting establishments operating in Canada, or around 9% of the total number of exporters on the Register. While the number of exporting establishments that are foreign controlled is quite small, their contribution to the value of total exports is significant.

In fact, these exporting establishments accounted for over \$155 billion in exports in 2002. This represents almost half of total exports from Canada. This would seem to indicate that foreign controlled exporting establishments were more export intensive than Canadian exporting establishments.

### Manufacturing accounts for largest share

In 2002, foreign controlled exports were concentrated in the manufacturing sector. Manufacturing accounted for 70% of the total export value of exporting establishments. Overall, 51% of the value of total manufacturing exports in 2002 came from foreign controlled establishments. The Transportation equipment manufacturing industry had the greatest proportion of foreign control in 2002; 80% of the value of exports came from foreign controlled exporting establishments.

### Greater number of export destinations

Ninety-one percent of the Canadian controlled exporting establishments accounted for only 55% of the total value of Canadian exports. With the exception of U.S. controlled exporting establishments, only a small amount of the value of foreign controlled exports were destined for the original country of control.

Foreign controlled exporting establishments exported to a greater number of destinations. In 2002, 18% of foreign controlled exporting establishments sent goods to five or more countries compared to just 6% of Canadian controlled enterprises.

In addition, the proportion of foreign controlled exporting establishments that exported to non-U.S. destinations (45%) in 2002 was significantly higher than that of Canadian controlled exporting establishments (29%). However, Canadian controlled exporting establishments sent a greater share of the value of their exports to non-U.S. destinations; 16% compared to 10%.

This article will examine differences between industries, variation between countries of control, the diversity of export destinations and foreign control by province.

## Establishments concentrated in the manufacturing sector

In 2002, 45% of the value of Canada's exports was from foreign controlled exporting establishments; however, not all industries reflected this proportion to the same degree. Foreign controlled exporting establishments were concentrated in industries where the value of overall export activity was higher. There was a greater concentration of foreign controlled exporting establishments in the manufacturing industries; in 2002 manufacturing accounted for 70% of the total value of Canadian exports and 51% of the total manufacturing exports from Canada were foreign controlled. In contrast, exports of the non-manufacturing industries accounted for only 30% of total Canadian exports and only 32% were from foreign controlled exporting establishments.

**Table 1a. Number and value of foreign- and Canadian-controlled exporting establishments by sector, 2002**

Value <sup>1</sup>	Foreign-controlled		Canadian-controlled		Grand total	
	Value <sup>1</sup>	Number of establishments	Value <sup>1</sup>	Number of establishments	Value <sup>1</sup>	Number of establishments
Manufacturing total	122,726	2,038	117,565	17,093	240,290	19,131
Non-manufacturing total	32,917	1,559	70,199	18,970	103,116	20,529
Grand Total	155,642	3,597	187,764	36,063	343,406	39,660

1. In millions of dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

**Table 1b. Proportion of foreign control by sector, Canada, 2002**

	Value <sup>1</sup>	Number of establishments percentage
Manufacturing total	51	11
Non-manufacturing total	32	8
Grand Total	45	9

1. In millions of dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

Eighty percent of the value of exports from the Transportation equipment industry came from foreign controlled exporting establishments in 2002. This is not surprising, given that this industry is dominated by the large, foreign controlled automotive companies. In 2002, this industry accounted for 6% of all foreign controlled establishments and 46% of the total value of exports from foreign controlled firms.

Exports from the Electrical equipment appliance and component industry had the second highest proportion of foreign control; 65% of these exports by value came from foreign controlled exporting establishments in 2002. However, unlike the Transportation equipment industry, which accounted for 21% of the total value of exports in 2002, the Electrical equipment appliance industry accounted for a relatively small proportion, just under 2% of Canada's overall exports in 2002.

The value of exports from the Transportation and warehousing industry was 97% Canadian controlled in 2002 and this industry accounted for 3% of total exports in 2002.

**Table 2a. Number and value of exports of foreign/Canadian controlled exporting establishments by selected industry, 2002**

Industry	Foreign-controlled		Canadian-controlled		Grand total	
	Value <sup>1</sup>	Number of establishments	Value <sup>1</sup>	Number of establishments	Value <sup>1</sup>	Number of establishments
Transportation equipment manufacturing	72,224	222	18,587	935	90,811	1,157
Electrical equipment and appliances	2,514	128	1,329	477	3,843	605
Mining, oil and gas extraction	8,173	117	6,610	300	14,783	417
Clothing	105	11	2,022	793	2,127	804
Printing and related activities	169	132	1,687	687	1,856	716
Non-manufacturing: transport and warehousing	327	132	9,619	1,008	9,946	1,140

1. In millions of dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

**Table 2b. Percentage of foreign control, expressed as a share of value and of establishments, by selected industry, 2002**

Industry	Value <sup>1</sup>	Number of establishments percentage
Transportation equipment manufacturing	80	19
Electrical equipment and appliances	65	21
Mining, oil and gas extraction	55	28
Clothing	5	1
Printing and related activities	9	4
Non-manufacturing: transport and warehousing	3	12

1. In millions of dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

## Large number of countries controlled Canadian exporters

In 2002, there were a total of 39 countries that controlled exporting establishments in Canada. The G7<sup>3</sup> (excluding Canada) accounted for 85% of foreign controlled exporting establishments and 92% of the value of foreign controlled exports. The U.S. accounted for 59% of all foreign controlled exporting establishments and 63% of total foreign controlled export value. Second in terms of number of exporting establishments controlled was the U.K., with 8% of all foreign controlled exporting establishments, while Germany was second in terms of value of exports, with 12% of the foreign controlled total.

**Table 3a. Value and percentage of exports, by country of control, 2002**

Country Control	Value <sup>1</sup> of total exports	Percentage <sup>2</sup> of total exports
Canada	187,764	55
United States	97,281	28
Germany	18,219	5
Japan	15,961	5
United Kingdom	5,840	2
France	5,152	2
Netherlands	1,947	1
Sweden	1,614	0
Australia	1,381	0
New Zealand	1,333	0
Italy	390	0
All other countries	6,524	2
Total	343,406	100

1. In millions of dollars.

2. Totals may not add to 100% due to rounding.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

**Table 3b. Number of exporting establishments, by country of control, 2002**

Country of control	Number of establishments
Canada	36,063
United States	2,130
Germany	286
Japan	221
United Kingdom	211
France	188
Netherlands	90
Sweden	56
Australia	30
New Zealand	30
Italy	12
All other countries	343
Total	39,660

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

3. G7 – Group of Seven: Britain, Canada, France, Germany, Italy, Japan and the United States



A total of 26 countries with foreign controlled exporting establishments in Canada exported back to their country of control in 2002. However, other than U.S controlled exporting establishments, the value exported was quite small. Excluding the U.S., just over \$1 billion was sent back to these countries of control. This represented less than 1% of the total foreign controlled exports in 2002.

Japan was second in terms of the proportion of their exporting establishments that shipped back to Japan with 47% doing so and in terms of value as well, with 3.5% of Japanese controlled exports being sent back to Japan.

**Table 4. Number and value of exports of foreign-controlled exporting establishments exporting back to their country of control, 2002**

	Number of establishments	Percentage of total for country of control	Value <sup>1</sup> of exports to country of control	Percentage of total exports
United States	1,930	91	88,429	91
Japan	99	47	56	34
Netherlands	62	69	62	3
France	44	23	122	2
Germany	50	23	196	1
United Kingdom	52	18	53	1
Total	2,256	63	89,475	57

1. In millions of dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

Almost all of the U.S. controlled exporting establishments sent goods back to the U.S. In fact, they shipped 91% of the value of their total exports back to the U.S. and accounted for 30% of Canada's total exports to the U.S. in 2002. However, two other major exporting countries controlling Canadian exporting establishments, Germany (95%) and Japan (93%), exported a greater proportion of their goods to the U.S. than the American controlled exporters. This underscores the earlier contention that foreign controlled exporting establishments are locating in Canada to access the North American market.

**Table 5. Number and value of exports of foreign-controlled establishments exporting to the United States, 2002**

	Value <sup>1</sup> of exports to United States	Percentage of total exports by country of control
Germany	17,288	95
Japan	14,801	93
United States	88,429	91
Sweden	1,439	89
United Kingdom	5,167	88
France	4,472	87
New Zealand	1,102	83
Netherlands	1,609	83
Australia	180	13
Total	134,488	86

1. In millions of dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

In 2002, almost half (47%) of Canadian exports to the U.S. were from foreign controlled exporting establishments. By comparison, of the major Canadian export markets, 54% of Canadian exports to Belgium were from foreign controlled exporting establishments and 25% of Canadian exports to Japan were from foreign controlled exporting establishments.

### Diverse set of destinations

Foreign controlled exporting establishments had a more diverse set of export destinations than Canadian controlled exporting establishments. In addition, foreign controlled exporting establishments export a greater proportion of the value of their exports to U.S. destinations than their Canadian controlled counterparts.

In 2002 a greater proportion of foreign controlled exporting establishments (45%) exported to non-U.S. destinations than their Canadian controlled counterparts (29%). In terms of value however, Canadian controlled exporting establishments sent a greater proportion of their exports to non-U.S. destinations: 16% compared to 10% for foreign controlled exporting establishments. In addition, only 38% of foreign controlled exporting establishments exported exclusively to the U.S in 2002, compared to 48% of Canadian controlled exporting establishments. A total of 60% of foreign controlled exporters sent goods to both U.S. and non - U.S. destinations compared to 46% of Canadian controlled exporting establishments.

In terms of the number of export destination countries, there was also some variation according to ownership. Canadian controlled exporting establishments were more likely to export to just a single destination in 2002 than were their foreign owned counterparts. Foreign controlled exporting establishments exported to a greater number of destinations. In 2002, 18% of foreign controlled exporting establishments sent goods to five or more countries compared to just 6% of Canadian controlled enterprises.

**Table 6a. Foreign-controlled exporting establishments**

Number of destinations <sup>1</sup>	Number of establishments	Value <sup>2</sup>	Value <sup>2</sup> to United States	Value to United States percentage
1	2,181	58,698	58,538	100
2 to 4	786	52,424	50,529	96
5 to 9	331	9,597	7,251	76
10 and over	299	34,923	24,002	69
Total	3,597	155,642	140,320	90

1. For further information on the destinations, please refer to the Exporter Register, Statistics Canada, catalogue number 65-506.

2. In millions of Canadian dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

**Table 6b. Canadian-controlled exporting establishments**

Number of destinations <sup>1</sup>	Number of establishments	Value <sup>2</sup>	Value <sup>2</sup> to United States	Value to United States percentage
1	28,108	91,276	90,126	99
2 to 4	5,687	31,517	27,877	88
5 to 9	1,371	17,066	12,378	73
10 and over	897	47,905	27,872	58
Total	36,063	187,764	158,253	84

1. For further information on the destinations, please refer to the Exporter Register, Statistics Canada, catalogue number 65-506.

2. In millions of Canadian dollars.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

### Ontario has highest amount of foreign control

While nationally, 45% of the value of exports from Canada in 2002 was from foreign controlled exporting establishments, there were significant variations among the provincial results. In general, however, foreign controlled exporting establishments were significantly larger exporters. In every province, foreign controlled exporting establishments represented a small percentage of the total exporting establishments but were responsible for a large percentage of the value of exports in 2002.

In 2002, Ontario had the largest amount of foreign control of provincial exports. Ontario's foreign controlled exporting establishments represented a mere 11% of all their exporting establishments but accounted for 61% of the value of their total exports. On the other hand, 4% of New Brunswick's exporting establishments were foreign controlled and their exports amounted to only 6% of New Brunswick's total exports.

**Table 7. Provincial and territorial proportion of foreign-controlled establishments and value, Canada, provinces and territories, 2002**

	Number of foreign-controlled establishments	Percentage of total provincial or territorial establishments	Value <sup>1</sup> of foreign-controlled establishments	Percentage of total provincial or territorial value
Newfoundland	X	X	X	X
Prince Edward Island	X	X	X	X
Nova Scotia	60	7	2,775	57
New Brunswick	30	4	443	6
Quebec	678	8	19,935	31
Ontario	1,917	11	105,160	61
Manitoba	91	6	2,375	24
Saskatchewan	51	6	2,404	48
Alberta	393	12	14,122	29
British Columbia	363	6	7,749	29
Yukon	X	X	X	X
Northwest Territories	X	X	X	X
Nunavut	X	X	X	X
Canada	3,597	100	155,642	100

1. In millions of dollars.

x Suppressed to meet the confidentiality requirements of the Statistics Act.

Data source: Statistics Canada, International Trade Division.

Table source: Statistics Canada, 2005, Foreign Control of Canada's Merchandise Exports, 2002, catalogue number 65-507-MIE2005004.

In terms of destinations, with the notable exception of Saskatchewan, the greatest proportion of exports from foreign controlled exporting establishments went to the United States. Less than half (45%) of the foreign controlled exports from Saskatchewan were destined for the U.S.

The destination region for the provincial foreign controlled exporters generally followed a North - South geographical pattern. Quebec and New Brunswick sent the greatest proportion of their foreign controlled exports to the U.S. East region.<sup>4</sup> Moving further West, foreign controlled exporting establishments in Ontario sent 62% of their exports to the U.S. Heartland. In the West, as mentioned earlier, Saskatchewan's foreign exporting establishments sent more than half of the total value of their exports to non-U.S. destinations, the bulk of which was destined for the Pacific Rim.<sup>5</sup> Alberta and Manitoba shipped the greatest proportion of their goods to the U.S. Midwest region. British Columbia's foreign controlled exporters sent the largest proportion of their exports to the U.S. West region.

4. For a complete list of the individual states in the U.S. West, East, Mid-West and Heartland, refer to *A Profile of Canadian Exporters*, Statistics Canada, International Trade Division. Cat. 65-506.

5. A complete list of Pacific Rim countries can be found in *Merchandise Trade Statistics: Exports*. Statistics Canada, International Trade Division Catalogue. 65-202 XIE.