

A Feasibility Study of Foreign Direct Investment in Canada's Tourism Sector, 1987 – 1997

Prepared by

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for the Canadian Tourism Commission

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Foreword

The tourism industry is a significant part of the Canadian economy. Canadian tourism generated more than \$52 billion in goods and services in 2003. This sector also created hundreds of thousands of jobs in accommodation, food and beverages, transportation, travel agencies and meetings and convention industries. In 2003, for example, 577,600 people were employed as a result of tourism in Canada, with the majority in small and medium-sized companies. It also generated substantial foreign exchange, earning nearly \$15 billion of Canada's export earnings in 2003. Furthermore, tourism raised almost \$16 billion in tax revenues in the same year.

The major objective of this report is to provide an overview of foreign direct investment positions in Canada's tourism industry during the 1987-1997 period. This project will lay the foundation for assessing foreign direct investment in Canada's tourism industry over the last decade or so. The data in this report outlines foreign direct investment levels by country/region of origin and by recipient tourism industry. This information will provide a useful framework for strategic analysis with regards to the evolution of foreign direct investment in Canada's tourism industry.

This study is Canada's first examination of the scale and scope of foreign direct investment in Canada's tourism sector. This study is also the first of a possible series of reports exploring the subject of direct investment in Canada's tourism sector. A second study examining Canadian direct investment in the tourism industries of foreign countries is proposed. Next, the series could explore Canadian investment in the domestic tourism sector. Eventually, a comparative study examining both domestic and foreign investment in Canada's tourism sector is envisaged.

This project is also a component of a broader international initiative of discussions currently underway at the Organization for Economic Co-operation and Development and at the World Tourism Organization to expand the TSA to include public and private capital investment stocks and to develop a "tourism account" as a replacement or supplant to the current "travel account" in the set of national accounts. It is envisaged that this account would measure the tourism component of all international financial flows of a country, including international investments as well as the traditional measures of spending by tourists and crews and transportation fares. This tourism account would supplement the current international travel account and give a clearer picture of tourism's impact in terms of international financial flows. The data on foreign direct investment in Canada's tourism industry and by Canadian enterprises abroad illustrate the feasibility of capturing data on one significant part of these proposed tourism accounts.

This report was prepared by Franklin Chow, Consultant. The data used in this report was generated by the Balance of Payments and Financial Flows Division at Statistics Canada. The research project was managed and coordinated by Nicolino Strizzi, Research Analyst, Research, Canadian Tourism Commission.

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Executive Summary

At 1997 year-end the foreign direct investment position in Canada's tourism industries amounted to \$3.61 billion, representing only 1.9% of the total stock of direct investment in all Canadian industries. This is about the largest proportion that tourism industries has represented in the eleven-year period of this study. At the beginning of the period FDI in the tourism sector totaled \$1.53 billion, comprising 1.4% of total direct investment in Canada.

From 1987 to 1997 foreign direct investment in tourism industries grew at an average annual rate of 9.0%, exceeding the growth rate for total FDI of 5.9%. In 1987 direct investment in Canada, in all industries, surpassed the \$100 billion mark for the first time. From the 1987 level of \$105.94 billion, foreign direct investment registered a steady growth trend with increases being recorded in each of past two decades. However, direct investment in tourism industries experienced a more erratic growth pattern as decreases were registered in 1990 and 1992 while spectacular increases of 37.7% in 1989 and 35.7% in 1995 were also being recorded.

At 1997 year-end, foreign direct investment was largest in the food and beverages industries with FDI of \$1.10 billion to comprise 31% of tourism industries. Investment in accommodation services was next largest at 27%. The other two groupings, transportation services and entertainment, recreation and amusement services each accounted for 21%. FDI in the accommodation services and transportation services sub-sectors in Canada were also affected by the wave of alliances and mergers and acquisitions that were taking place worldwide in the airline industry, distribution network and the hotel industry.

The geographical distribution of FDI is typical of the pattern of Canada's international transactions and international investments, with the United States providing the bulk of the investment in Canada's tourism industries, 84% at 1987 year-end and 69% at the end of 1997. The proportion of the investment in the tourism sector was almost identical in 1997 with the proportion of American direct investment in all industries. At 1997 year-end direct investment from non-U.S. countries, comprising 31%, amounted to \$1.14 billion. Investment was concentrated in the accommodation services sub-sector (i.e. hotels) as it was the largest of the four tourism sub-sectors during each of the eleven year-ends for this group of countries.

A Feasibility Study of Foreign Direct Investment in Canada's Tourism Sector, 1987 – 1997

Section I Introduction

Direct investment has been a driving force in the globalization movement. International investment has played a key role in the integration of the world economies with the concomitant increase in the movement of financial capital and in the growth of international trade in goods and services, including travel. The growth of the global marketplace has had a significant impact on Canada's tourism industries through the concentration (mergers and acquisitions) and alliances that have been occurring worldwide within the travel industries, such as the airlines and hotels, and between the different tourism industries. Increasingly, tourism industries have become linked together to provide the desired goods and services not only to international travelers but also to domestic travelers. The proliferation in mergers and acquisitions has produced some massive multinational enterprises. Globalization, the emergence and the development of more accessible markets, and the advent of new technologies have all contributed to the creation of a travel boom. In order to meet the varied needs of travelers the partnering and merger of different tourism-based businesses have been a natural response in order to provide an integrated product of goods and services.

With the emergence of the global market where the international movement of financial capital, goods, services and travelers has grown in leaps and bounds, what has been the impact on tourism industries in Canada? With the integration of the world economies, has the tourism industries in Canada been able to attract the interest of foreign direct investors (transnational corporations)? This is the first study of foreign direct investment (FDI) position statistics in Canada's tourism industries. Hence, this study will cover the concept of FDI, the balance of payments, the international investment position, international travel receipts and payments, and the classification of tourism industries for which FDI statistics have been produced. This, it is hoped, will provide the reader with a comprehensive understanding of the international financial concept of foreign direct investment and its impact upon an economy.

At 1997 year-end foreign direct investment position in Canada's tourism industries amounted to \$3.61 billion. Over the eleven-year period, FDI in the tourism sector had increased at an average annual growth rate of 9 percent from \$1.53 billion at the end of 1987. This growth rate was slightly higher than the growth of international travel export revenues in the same period.

The foregoing statistics on direct investment were for inward FDI or foreign direct investment in Canada. There is also an outward FDI series, referred to as Canadian direct investment abroad. Moreover, the foregoing FDI statistics were position or stock statistics as compared to FDI flow statistics. In addition, the foregoing inward FDI statistics were solely for direct investment capital invested in the tourism sector in Canada. Foreign direct investment in Canadian tourism industries represented only 1.9 percent of total foreign direct investment in total industries in Canada at 1997 year-end. Among all the financial liabilities to non-residents, foreign direct investment comprised only 21 percent of total foreign financial claims at the same year-end, in comparison with the other two main components, portfolio investment (53%) and other investment (26%).

This is just an indication of the complexity of the field of international investments and the need for an understanding of the concepts and classifications being applied.

Purpose of Study

The objective of this report is to provide an overview of the amount of foreign direct investment in Canada's tourism industries at the year-ends for the period 1987 to 1997 with details regarding the tourism sub-sectors and the source (country/region) of the foreign investment. This study will lay the foundation and the framework for assessing data on foreign direct investment (FDI) in Canada's tourism sector, thus leading to a better understanding of investment in the tourism sector. This study should also contribute to generating better reports for analysis.

This study will be the first of a planned series exploring the subject of investment with respect to Canada's tourism sector. A second study examining direct investment in other countries by Canada's tourism sector is also anticipated. If the information is available, a third study assessing Canadian investment in the domestic tourism sector will be undertaken. Finally, a comparative study examining both domestic and foreign investment in Canada's tourism sector is envisaged.

Hopefully a better understanding of the concept of direct investment and of direct investment in Canada's tourism sector will lead to more research and study with regard to the tourism sector and non-resident investment in that sector. The development of the tourism satellite accounts has generated much interest and understanding about the importance of this sector to the Canadian economy. A useful extension of the tourism sector would be the future development of balance of payments statements and international investment position statements for the tourism sector.

In addition, this study attempts to provide an insight into the compilation of foreign direct investment statistics which should lead to a more proper interpretation of the statistical information. Included in this study is much of the meta-information or metadata, normally accompanying statistical data. In that respect, this study will cover the concepts and classifications regarding foreign direct investment in Canada's tourism industries. The study will also provide the sources and methodology used to collect and compile the FDI statistics. This should provide the user with some indication of the reliability and accuracy of the FDI data.

Concept of Foreign Direct Investment

Of the main categories of financial investment in the balance of payments, foreign direct investment is the most important one for the international transfer of technology, management expertise, training, services, financial acumen and products, trademarks and brand names. The transmission of these vital elements for the production and development of enterprises in a host country for FDI takes place generally between related companies within the corporate family of transnational corporations (TNCs). With the injection of direct investment capital in a subsidiary firm these other non-financial benefits normally accompany or follow the financial commitments made by a foreign parent company.

Foreign direct investment naturally involves the transmission of these other benefits to a subsidiary and, hence, to a host country because the investment, in most cases, involves control by the foreign investor over the subsidiary. However, FDI does not always represent a majority ownership interest, but may exist with ownership of as low as ten percent of the voting shares.

Conceptually, foreign direct investment is defined as a long-term investment by a foreign investor in an entity domiciled in another economy and where the investor has sufficient ownership in the entity to have a role in the management of that entity. The concept of direct investment as outlined in the *Balance of Payments Manual* by the International Monetary Fund (IMF) and in the *Benchmark Definition of Foreign Direct Investment* by the Organization for Economic Co-operation and Development (OECD) advocates ten percent ownership of voting shares as the threshold for the determination of the existence of direct investment. The concept of direct investment is explained in greater detail in Appendix I.

In a direct investment relationship the foreign investor is referred to as the direct investor and the company receiving the investment is the direct investment enterprise. Direct investment includes not only the equity capital owned by the foreign direct investor but also the debt capital provided by the foreign investor. Moreover, it is not only the debt and equity capital provided by the foreign direct investor but also by other foreign companies affiliated with the direct investor. In other words, direct investment in a direct investment enterprise would include investment in common shares, preferred shares, loans, advances, inter-company payables, and trade payables provided by the direct investor group. Foreign investment would also include, as offsets, any shares or loans that the direct investment enterprise would have as claims on the direct investor and any account receivables from the direct investor group.

In Canada, the bulk of the foreign direct investment is invested in wholly-owned and majority-owned subsidiaries. At 1997 year-end, the book value of FDI in enterprises that were owned more than 50% by direct investors comprised 87% of total foreign direct investment in Canada. Ford Motor Company of Canada Limited, General Motors of Canada Limited and Imperial Oil Limited were among the largest direct investment enterprises in Canada.

Besides direct investment the other types of foreign investment in the balance of payments are foreign portfolio investment and other investment. Foreign portfolio covers investment in marketable equity and debt securities and short-term instruments. Other foreign investment is a residual category, including such items as loans and deposits.

Foreign Direct Investment Statistics

The Balance of Payments Division of Statistics Canada is responsible for compiling statistics of the balance of international payments and the international investment position for Canada. The balance of payments statement (BOP) is a statistical statement that systematically summarizes for a specific time period, the economic transactions by the residents of an economy with the residents of the rest of the world. The international investment position statement (IIP) is a balance sheet of the stock of an economy's external financial assets and liabilities at a point in time.

Statistics on foreign direct investment flows or transactions appear as a component of the financial account in the balance of payments statement. The structure of the balance of payments, including the financial account, appears in Table 1. The flows of direct investment capital are normally published in the quarterly publication, *Canada's Balance of International Payments*, Cat. 67-001. Besides appearing in the main BOP summary table, the FDI flows are shown in Tables 38 to 44 of the BOP tables, which contain such FDI details as net flow, inflows and outflows, retained earnings accruing to direct investors, short-term and long-term flows, and mergers and acquisitions. Flows of direct investment capital, by geographical area, are shown only for the six geographical regions for which each of the balance of payments

series are normally compiled – namely, the United States, the United Kingdom, Other EU, Japan, Other OECD and All other. Statistics on flows of FDI in Canada, by industrial sector, are only shown for the following six groupings – wood and paper; energy and metallic minerals; machinery and transportation equipment; finance and insurance; services and retailing; and other industries. The tourism sector would be included in the latter two industrial groupings.

Statistics on foreign direct investment stocks or positions are included as a component in the international investment position statement. The structure of this statement is presented in Table 2. The stocks of foreign direct investment at calendar year-ends are disseminated in the annual publication, *Canada's international investment position*, Cat. 67-202. Tables 12 to 16 in that annual publication provide FDI details such as the type of concern, profits of the direct investment enterprises, and debt and equity capital. Similar to the flows of FDI, the statistics on stocks, by industrial sector, are only shown for the above-noted six industrial groupings. The stocks of foreign direct investment, by geographical area, are disseminated in this publication for the six regions indicated above. FDI position statistics, in comparison to FDI flows, have fewer confidentiality problems and are therefore available almost by the range of foreign countries that have direct investment in Canada. Hence, additional information on foreign direct investment in Canada by country and geographical area is available on a cost recovery basis from the Balance of Payments Division. In addition, it is possible to obtain, on a cost recovery basis, stocks of FDI for each of the six geographical areas, by industrial sector.

The international investment position publication also contains a type of reconciliation table, showing the link between the direct investment flows of capital with the changes in the direct investment positions. The table shows the effect of FDI flows, retained earnings and other factors, such as valuation changes, exchange rate fluctuations, and accounting changes, and their contribution to the change in the book value of the stock of direct investment (Table 4).

This study focuses only on foreign direct investment positions, not flows, in Canada and is based on a special tabulation request from BOP. The tabulation was for the stock of direct investment in the tourism sector in Canada from 1987 year-end to 1997 year-end. The following section covers the composition of the tourism industries for which FDI data were compiled.

It should be noted that the data file in this report is based on SIC-C 1980 (Standard Industrial Classification) and it was generated prior to BOP's conversion to the North American Industry Classification System (NAICS). An updated study based on the NAICS classification of tourism industries in Canada could be undertaken in the near future. The tourism industry in the Canadian economy is being delineated in terms of the various groupings from the *Canadian Standard Industrial Classification for Companies and Enterprises*, as outlined in Appendix II. The Balance of Payments Division in its compilation of foreign investment statistics uses the SIC-C to classify the enterprises by economic activity as one of the characteristics that is included for each of the units included in its survey frame. Information on the financing of corporate activities is properly viewed and collected on an enterprise basis, for a family of commonly-owned companies, rather than a company or establishment basis. The unit that is able to report financial statistics is normally located at a higher level within a business organization than the establishment or the company.

Section II

Analysis of Foreign Direct Investment in Canada's Tourism Industries

In late fall of 1998, a special tabulation was obtained from the Balance of Payments Division (BOP) of Statistics Canada covering the stock of foreign direct investment in the tourism industries for the eleven-year period 1987 to 1997. The tourism industries comprise the 22 four-digit subsegments outlined in Appendix II covering businesses that provide goods and services normally consumed by travelers such as transportation, accommodation, restaurant, and recreation.

As indicated previously, the BOP releases FDI flow and stock data by the standard six area geographic which consists of the USA, UK, Other EU, Japan, Other OECD and All Other. However the data for this study were compressed, for confidentiality reasons, into a four area geographic consisting of USA, EU, Japan/OECD and All Other. Moreover, other geographic regroupings were also necessary for the tourism industrial components to remain within the confidentiality constraints.

With respect to industrial groupings, the SIC-C details were suppressed for all regions except the United States. In other words, for the EU, Japan/OECD and All Other, geographical groups the four-, three- and two-digit details were suppressed for transportation services; for accommodation services and food and beverage services the four- and three- digit details were suppressed; while for entertainment, recreation and amusement services the four- and three-digit SIC-C details were suppressed. With respect to the FDI data for the United States, it was possible to break out air transport separately from all the other transportation services. For the U.S.A. data, it was possible to show separately the motion picture and video distribution and exhibition (8212) segment separately from the other segments in the entertainment, recreation and amusement services subsector.

In Table 5 there is an unallocated portion for transportation services and the entertainment subsector, representing the services activities for the three regions which could not be allocated to the proper segments due to confidentiality reasons.

Although the direct investment positions and flows for 1994 to 1997 have since been revised this study will basically use the FDI flow and stock statistics contained in the 1997 international investment position publication.

1997 Year-end

At 1997 year-end the foreign direct investment position in Canada's tourism industries amounted to \$3.61 billion. At the end of the same year the stock of direct investment in all Canadian industries amounted to \$187.59 billion. The portion invested in tourism industries comprised only 1.9% of the total stock of FDI. Although FDI in the tourism industries comprised slightly over 2% of total direct investment in the two preceding years, the stock of \$3.61 billion was the largest during the eleven-year period, more than doubling from \$1.53 billion at 1987 year-end.

The drop in percentage of FDI in the tourism industries as a proportion of total FDI in all industries was due to the more moderate increases registered in the tourism sector in 1996 and 1997. In 1997 the stock of FDI in all industries grew by 7.5% while investment in tourism rose by only 2%.

Direct investment in Canada by foreign transnational corporations continues to be concentrated in the primary and manufacturing sectors. However, investment in services industries has attracted significant investment from foreign direct investors, comprising 27.4% of total FDI at 1997 year-end. Direct investment in the finance and insurance services sector amounted to \$33.48 billion while \$18.01 billion was invested in services and retailing. The economic activities that compose tourism industries are included in the services and retailing category in Text Table 1, which comprises 9.6% of total FDI at 1997 year-end.

Text Table 1
Foreign Direct Investment in Canada
By Industry
Year-ends 1987, 1992 and 1997
Millions of dollars

	1987	1992	1997
Wood and paper	5,310	8,895	10,560
Energy and metallic minerals	26,822	30,062	31,299
Machinery and transportation equipment	17,050	18,496	29,493
Finance and insurance	17,663	26,873	33,479
Services and retailing(1)	8,114	10,807	18,008
Other industries(2)	30,978	42,785	64,747
Total	105,937	137,918	187,586

Source: Canada's international investment position, 1997, Cat. 67-202, Table 13

(1) Includes Transportation Services; General Services to Business; Government Services; Education, Health and Social Services; Accommodation, Restaurants, and Recreation Services; Food Retailing; Consumer Goods and Services.

(2) Includes Food, Beverage and Tobacco; Chemicals, Chemical Products and Textiles; Electrical and Electronic Products; Construction and Related Activities; Communications.

Year-ends 1987 to 1997

In the eleven year period from 1987 to 1997, foreign direct investment in tourism industries in Canada grew at an average annual rate of 9.0% exceeding the growth rate for total FDI of 5.9%. In 1987, direct investment in Canada surpassed the \$100 billion mark for the first time. From the 1987 level of \$105.94 billion foreign direct investment registered a steady growth trend with increases being recorded in each of the ten years. During that period, the largest annual increase, of 9.1%, took place in 1994.

During the 1987-1997 period, direct investment in the tourism industries in Canada experienced a more erratic growth pattern as decreases were registered in 1990 and 1992, with each one followed by a year of marginal growth. On the other hand, FDI in the tourism industries also recorded very rapid growth with increases of 37.7% in 1989 and 35.7% in 1995. During the eleven-year period under review, the average annual growth in FDI in the tourism industries was greater than that in all industries. However, it should be noted that in the last two years, 1996 and 1997, there was some weakening as the annual increases in the tourism industries lagged behind the growth rates for total FDI.

At the beginning of the period under review, foreign direct investment in the tourism sector at \$1.53 billion represented only 1.4% of the stock of total FDI in Canada (Table 6). After two years of impressive double digit expansions in 1988 and 1989 to \$2.34 billion at the end of 1989, FDI in the tourism industries represented 1.9% of total direct investment. In 1990, investment in tourism dropped by 3.4% to \$2.26 billion to comprise 1.7% of total FDI. Of the four tourism sub-sectors, three registered decreases – accommodation; food and beverages; and entertainment, recreation and amusement services.

Direct investment in the tourism sector grew by 2.5% in 1991 and then recorded another decrease to \$2.0 billion at 1992 year-end, caused by drops in the same three sub-sectors as in 1990. At the end of 1992 direct investment in the tourism industries as a percentage of total FDI stood at 1.5%. After a growth of 2.9% in 1993, direct investment in the tourism sector expanded sharply in the next two years by 22.7% and 35.7% to \$3.44 billion at 1995 year-end. At this point in time, FDI in tourism comprised 2.1% of direct investment which totaled \$167.72 billion. In the last two years of the period under review, FDI in the tourism industries registered moderate increases of 2.8% and 2.0% respectively in 1996 and 1997. In spite of these increases which did not match the expansions for total FDI in those two years, direct investment in the tourism sector amounted to \$3.61 billion, the highest level during the eleven-year period, to comprise 1.9% of total FDI.

During the four-year period 1990 to 1993, there was a slowdown in direct investment in all industries. However the growth pattern with respect to tourism industries in Canada was more adversely affected with two reductions in investment being recorded. During this period of economic slowdown, direct investment enterprises experienced losses in their operations, which mitigated the growth in the stock of direct investment in Canada.

Tourism Subsectors 1987, 1992 and 1997

At 1987 year-end, foreign direct investment amounted to \$1.53 billion with food and beverage being the largest subsector with \$623 million or 41% followed by the entertainment, recreation and amusement subsector at 30% of FDI in tourism industries. Accommodation services, at \$278 million, accounted for 18% while transportation services trailed with only 11% at the end of 1987.

Text Table 2

Foreign Direct Investment Position in Canada's Tourism Subsectors

Year-ends 1987, 1992 and 1997

Total - All Regions

Millions of dollars

	1987	1992	1997
Transportation services	169	420	768
Accommodation services	278	695	984
Food and beverage services	623	405	1,101
Entertainment, recreation and amusement services	457	488	754
Total	1,527	2,008	3,607

Five years later, direct investment in the tourism subsectors totaled \$2.01 billion at the end of 1992, an increase of 31.5% from 1987. Accommodation services were the largest subsector with \$695 million or 35% of the total FDI in tourism industries. Direct investment in accommodation services had grown by 2.5 times from \$278 million at 1987 year-end. The other three subsectors, each exceeding the \$400 million mark, were about the same proportion, each accounting for over 20% of FDI in the tourism sector. Direct investment in transportation services also increased sharply by 2.5 times from \$169 million to \$420 million at 1992 year-end. Although the entertainment subsector rose by only 7% from 1987 to \$488 million it remained the second largest comprising 24%. On the other hand, investment in food and beverage services fell by 35% to \$405 million with an erratic growth pattern. Over the five-year period from 1987, FDI in food and beverages registered decreases in three of those years.

Five years later in 1997, foreign direct investment in the tourism industries grew by 80% to \$3.61 billion. The pattern of direct investment at 1997 year-end was more typical of the eleven-year period with food and beverages accounting for 31% followed by accommodation services with 27% of the FDI in tourism industries. Meanwhile, transportation services and the entertainment subsector each accounted for 21%.

Foreign direct investment in the food and beverage subsector was largest at the beginning and at the end of the period under review. Over the five-year period from 1992, investment in food and beverages expanded almost three-fold from \$405 million to \$1.10 billion at the end of 1997. Investment in accommodation services rose by 41.6% from 1992 to \$984 million. FDI in transportation services grew by an impressive 83% over the five years to \$768 million at 1997 year-end. The following analysis of the period 1987 to 1997 will show that the years 1992 and 1993 were outlier years that were not typical of the pattern of investment in tourism for the period under review.

Tourism Subsectors 1987 to 1997

Over the eleven-year period, foreign direct investment in the transportation services sector rose at an average annual rate of 16.3%, the largest growth rate of the four tourism categories appearing in Table 7. At 1987 year-end the transportation subsector was the smallest component at \$169 million, representing only 11% of the FDI in tourism industries in Canada. FDI in transportation services exhibited steady growth until 1993 when it decreased by 8%. In the following year, direct investment jumped by 75% to \$676 million, which was largely due to an increase in investment in the air transport segment. At the end of 1997, air transport comprised at least one-half of the FDI in transportation services, as there is also the unallocated portion to be taken into consideration (Table 5). There is no indication of the extent to which railway or water transport may comprise of *all other transportation*, which totaled \$274 million.

Over the period 1987 to 1997, foreign direct investment in the accommodation services sector twice surpassed the one billion mark. In 1989 investment more than tripled from \$312 million at 1988 year-end to \$1.02 billion. However, direct investment in accommodation services registered decreases in the following three years. At the next peak of investment, FDI of \$1.06 billion at 1995 year-end was followed by a drop of 17% in the ensuing year. Investment from foreign direct investors in the accommodation services sector recovered with a rise of 13% to \$984 million at the end of period. That put this services category with the second largest investment after food and beverage services.

Investment in accommodation services in Canada, which fluctuated quite sharply during this period, was largely brought about by the wave of restructuring and consolidation in hotels and airlines. The swings in Canadian investment were probably related to the worldwide merger and acquisition activity in the hotel industry, with such sizeable takeovers as Bass Plc. buying Holiday Inns for \$2.2 billion, Four Season acquiring the Regent International chain and Starwood buying Westin for \$1.6 billion (1). Besides the takeovers within the hotel industry in Canada itself there would also be structural adjustments from merger and acquisition activities taking place between transnational corporations with existing operations in Canada.

At the beginning and at the end of the 1987 to 1997 period, direct investment in food and beverage services was the largest of the four tourism categories. However, investment in this service sector registered some big swings in the intervening years as it had the lowest amount of investments in 1993 and 1994 before almost tripling to \$1.01 billion at 1995 year-end. In the ensuing two years FDI in food and beverage services registered moderate increases, of 6% and then 4%, to \$1.10 billion at 1997 year-end. From 1987 to 1991 the investment in the food and beverage services sector was quite static until 1992 when it dropped by \$250 million or 38% to \$405 million.

At 1987 year-end direct investment in the entertainment, recreation and amusement services category, at \$457 million, was the second largest category, representing 30% of the foreign investment in tourism industries in Canada. At the end of the eleven-year period, FDI in this services sector was the smallest, at \$754 million, of the four major tourism sub-sectors, just trailing behind the direct investment in transportation services at \$768 million. In 1996, FDI in entertainment, recreation and amusement services had risen sharply by 38% to \$877 million before dropping by 14% in 1997. Over the 1987 to 1997 period, investment in the entertainment, recreation and amusement services sub-sector had registered the lowest average annual growth rate of 5.1% of the four tourism categories.

Foreign Direct Investment in Tourism 1987, 1992 and 1997 by Region of Ownership

At the end of 1997, direct investment in the tourism sector from the United States, comprising 68.5%, coincided with the geographical pattern of FDI in total industries where the United States represented 69.3%. The geographical source of the stock of direct investment normally changes very slowly with small year-over-year movements. As a percentage of total FDI (all industries) the United States comprised 69.9% at 1987 year-end and then dipped to 63.9% at the end of 1992. Direct investment from the United States, as a percentage of the FDI in tourism industries, was much more volatile – comprising 83.6% at the beginning of the eleven-year period and then falling to 55.2% five years later in 1992.

At the end of 1987, U.S. direct investment in tourism industries in Canada amounted to \$1.28 billion. At the same year-end investment from other foreign countries (excluding the U.S.A.) in the tourism sector totaled \$250 million. At 1992 year-end investment from this latter group of countries had more than tripled to \$900 million. On the other hand investment in tourism from the United States declined by 13.2% over the same five-year period to \$1.11 billion. From 1992 year-end FDI from the United States more than doubled to \$2.47 billion as direct investment in tourism industries from other foreign countries rose over the one billion mark. FDI in the tourism sector from this group of countries amounted to \$1.14 billion at 1997 year-end, to comprise 31.5% of investment in the tourism industries in Canada.

Text Table 3

Foreign Direct Investment in Canada by Region

All industries and Tourism industries

Year-ends 1987, 1992 and 1997

Millions of
dollars

	All industries			Tourism industries		
	1987	1992	1997	1987	1992	1997
United States	74,022	88,161	130,022	1,277	1,108	2,471
United Kingdom	12,401	16,799	15,623			
Other EU	8,907	15,056	22,306			
Japan	3,045	5,962	7,123	250	900	1,136
Other OECD	4,680	6,913	6,335			
All other	2,882	5,027	6,177			
Total	105,937	137,918	187,586	1,527	2,008	3,607

In 1990 to 1993 there was a slowdown in the growth of total foreign direct investment, largely due to the drop in the profitability of the direct investment enterprises. The proportion of direct investment from the United States of total FDI in all industries fell to around 64%. The impact upon the tourism sector was more dramatic. Direct investment from the United States in tourism industries recorded decreases from 1990 to 1993. The share of the United States of FDI in tourism industries in Canada fell to 50.8% in 1993 before rebounding in the ensuing years (Table 8).

For confidentiality reasons it was not possible to compile any historical data for the other five geographical regions (UK, Other EU, Japan, Other OECD and All other) separately for FDI in tourism industries. Direct investment from foreign countries, other than the United States, in the tourism sector amounted to \$1.14 billion at 1997 year-end. Although it is not possible to determine precisely which foreign countries were the sources of that direct investment, an insight into the geographical pattern can be obtained from an analysis of the all industries data in Text Table 3. At the end of 1997 investment from foreign countries, excluding the United States, amounted to \$57.56 billion and comprised 30.7% of total FDI. The share of the direct investment from other EU countries was 11.9% followed by the United Kingdom at 8.3%. The other three geographical groupings, Japan, Other OECD and All other, had similar percentages of over three percentage points. In a similar manner, much of the investment in tourism industries in Canada could reasonably be considered to emanate from direct investors resident in the United Kingdom and from the other industrialized countries in the European Union.

Foreign Direct Investment in Tourism 1987 to 1997 by Region of Ownership

As direct investment from the United States comprises such an overwhelming proportion of investment in tourism industries in Canada, it is analyzed separately in the following section. In order to do a proper historical analysis of the geographical source of direct investment in the tourism sector, particularly pertaining to the regions other than the United States, it is necessary to compile tabular information for each of the four tourism categories separately. In spite of this treatment, due to the small amount of investment and small number of direct investors from the non-U.S. countries there is still very little geographical detail available for analysis for those countries.

At 1987 year-end, investment from the United States in Canada's tourism industries comprised 84% of total FDI in the tourism sector, the largest proportion of the eleven-year period. At the end of the period, U.S. direct investment at \$2.47 billion represented 69% of total FDI in tourism, almost identical to the proportion that the United States represented in FDI in all industries. The growth in investment from all other countries had reduced the dominance of direct investment from the United States in Canada's tourism sector, particularly in accommodation services and in entertainment, recreation and amusement services.

Direct investment by geographical region for food and beverage services and entertainment, recreation and amusement services (Table 9) is only available for the United States and all other foreign countries. Except for a brief period in the 1990s, direct investment from the United States comprised an overwhelming proportion, over 80%, of the FDI in the food and beverage services category. At the end of the eleven-year period, direct investment in this services category by all other countries was lower at \$57 million than the \$70 million at 1987 year-end, with FDI being on a downward spiral from 1993.

For a six-year period from 1988 to 1993 direct investment in food and beverage service enterprises from all other countries exceeded the \$100 million mark. The predominance of direct investment from the United States in food and beverage services is understandable due to the proximity geographically and similarity in North American eating habits and tastes. Food and beverage establishments with familiar names to American visitors provide some measure of "at home" feeling and "comfortable enjoyment" for them. This aspect impacts on the attraction and the growth of American direct investment in Canada and also on generating travel receipts from American visitors to Canada. Nevertheless, direct investment from all other countries in food and beverage services is relatively small and there appears to be room for development. As a result of takeovers in the United States there are a few enterprises with subsidiaries in Canada, recorded as direct investment from the U.S.A., but which are ultimately controlled in other foreign countries.

Although direct investment in entertainment, recreation and amusement services was the smallest of the four tourism sub-sectors at 1997 year-end with \$754 million (Table 7), it did not trail far behind the third largest investment of \$768 million in transportation services. There was less disparity in FDI among the tourism sub-sectors at the end of the period compared to 1987 year-end where food and beverages comprised over forty percent of direct investment in the tourism sector. Over the period 1987 to 1997, FDI in the entertainment sub-sector, in Table 9, grew at an average annual rate of 5.1% from \$457 million to \$754 million. Direct investment from the United States dominated investment in this sub-sector throughout the eleven-year period. However, investment from all other countries in entertainment, recreation and amusement services, exhibited steady growth, except for decreases in 1989 and 1993, to \$280 million at the end of 1997. Investment at the end of the period from all other countries comprised 37% of total FDI in this tourism category compared to only 7% at 1987 year-end. Investment from direct investors resident in all other countries in entertainment, recreation and amusement services was particularly impressive during the last four years under review, 1994 to 1997, with an average annual rate of increase of 29%.

Foreign direct investment in transportation services as presented in Table 10 shows the prominence of American investment in this category during the eleven-year period. At the beginning of the period, the United States comprised 73% of total FDI in transportation services and then represented 86% at 1997 year-end. For two years, 1994 and 1995, American

direct investment comprised more than ninety percent of the foreign investment in this group. Investment from the Japan/OECD and all other foreign countries region in Table 10 remained rather static over the 1987 to 1997 period. Compared to investment at the beginning of the period, investment from the Japan/OECD group of countries in the transportation services sector totaled \$14 million at the end of 1997 while FDI from the all other grouping halved to \$8 million. FDI from the EU group of countries (including the United Kingdom), which started with investments of \$22 million, was rather erratic during the period. However, in 1996 direct investment from the EU in transportation services more than doubled to \$74 million from 1995 year-end and then rose by 18% to \$87 million at 1997 year-end.

There were big swings in investment in the accommodation services sector in Table 11 during the eleven-year period as FDI exceeded the one billion mark in 1989 and 1995, and then decreased from these levels in the following years. Unlike the FDI in the other three categories of the tourism sector in Canada, investment from foreign countries other than the United States dominated the FDI in accommodation services. At the end of 1997, investment from the non-U.S. countries comprised 70% of the direct investment position of \$984 million. The predominance of direct investment in the accommodation sector by non-U.S. countries began in 1989.

Investment by investors resident in foreign countries other than the United States was concentrated largely in accommodation services in Canada. In each of the eleven year-ends during the period 1987 to 1997, investment in accommodation services from the non-U.S. group of countries was greater than the investments in the other three tourism sub-sectors. At 1997 year-end, investment in this sub-sector totaled \$690 million far outdistancing the next largest, of \$280 million in entertainment, recreation and amusement services by foreign direct investors resident in this group of foreign countries.

Besides the United States there are two other geographical regions shown in Table 11 with a combined category for the EU and OECD countries, and the third grouping, all other countries. In 1989 FDI from all three regions recorded large increases to bring the direct investment position in accommodation services to \$1.02 billion. However, the growth in the EU/OECD grouping was particularly strong, rising from \$31 million at the previous year-end to \$517 million at the end of 1989. After dipping to \$393 million in 1992, investment from EU/OECD countries settled firmly over the five hundred million mark during the next five years, to close with FDI of \$549 million at 1997 year-end. From \$65 million in 1987, investment in accommodation services from the all other group peaked at \$235 million at 1994 year-end. From this level, investment from direct investors resident in all other foreign countries decreased to \$111 million in the following year and then rose in the following two years to eventually finish with \$141 million at 1997 year-end.

United States Direct Investment in Tourism 1987 to 1997

During the eleven-year period under review, direct investment from the United States in Canada's tourism sector rose at an average annual rate of 6.8%, more moderately than the growth rate of 9% for total FDI in the tourism sector, to \$2.47 billion at 1997 year-end. U.S. investment in tourism is presented in Table 12 for the four main categories of tourism with subcomponents appearing for two of those categories. FDI in transportation services shows air transport separately and the sub-category, all other transportation, includes other transportation services such as railway, water, interurban and taxi services.

Under the entertainment, recreation and amusement services category, motion picture and video appears as one subcomponent while the other subcomponent, covers the remaining services in this category, such as professional sports clubs, gambling operations and other amusement services. Refer to Appendix II which contains a listing of the SIC-C subsegments.

Direct investment in Canada's tourism sector contracted during the 1990-1993 period, due largely to the drop-off in investment from the United States. American direct investment fell by over 27% from \$1.44 billion at the end of 1989 to \$1.05 billion in 1993. On the other hand, direct investment from other foreign countries in the tourism sector, in spite of two annual decreases during this five-year period, increased by 14% to \$1.02 billion at 1993 year-end from 1989.

Although direct investment from the United States in food and beverages dipped below the \$300 million mark in 1992 to 1994, this was the principal category of interest for direct investors from this country (Table 12). In the other eight year-ends of the eleven-year period under review, investment from the United States was largest in food and beverages, among the four tourism sub-sectors. At 1987 year-end, the food and beverages category, with \$553 million, represented the main focus of American investors, with 43% of the FDI in Canada's tourism sector. At the end of the period the dominance of this sector for investors from the U.S. remained largely unchanged as the investment of \$1.04 billion in food and beverages comprised 42%.

From 1987 to 1997, American direct investment in transportation services registered the largest average annual growth rate of 18.3% among the four tourism categories. More moderate growth rates of 5.2% and 6.6% were recorded during this eleven-year period by accommodation services and food and beverage services. In the fourth category, entertainment, recreation and amusement services, the average annual increase of direct investment from the United States was only 1.1% during the 1987-1997 period.

Investment from the United States in transportation services grew to \$659 million at the end of 1997. The air transport component comprised 58%, with investment of \$385 million while the other transportation component amounted to \$274 million. In 1994, investment in transportation services almost doubled to \$625 million due mainly to the growth in the air transport component as a result of the acquisition of the interest in Canadian Airlines International by AMR Corp. (American Airlines). This was an example of the mergers and acquisitions and the strategic alliances that the global airline industry was undergoing. United States investment in the all other transportation services component, except for decreases in 1993 and 1996, showed steady growth from direct investment of \$57 million at 1987 year-end.

During the period 1987 to 1997, the pattern of American investment in accommodation services was very erratic and showed no discernible trend. At 1997 year-end, FDI investors resident in the United States had investments of \$294 million, an increase of 66% from \$177 million in 1987. During the 1987-1994 period, excluding 1991 and 1994, investment in food and beverage services showed a downward trend. However, investment in 1995 more than tripled to \$939 million, followed by increases in the two following years to exceed the one billion mark in 1996 and 1997. Although there was only an increase of \$50 million in United States investment in the entertainment, recreation and amusement services category during the eleven-year period to \$474 million at 1997 year-end, there was a noteworthy shift in the component structure. At 1987 year-end the motion picture and video component comprised

90% with investment of \$382 million while the all other entertainment and recreation services component amounted to only \$42 million. During the 1993 to 1997 period, American investment in this latter component grew at an average annual rate of 43% to \$279 million. As a result all other entertainment and recreation services comprised 59% of the entertainment, recreation and amusement services category at 1997 year-end. From 1987, investment in the motion picture and video component had decreased by almost one-half to \$195 million.

Section III

Conclusion

Foreign direct investment in Canada's tourism industries in the period 1987 to 1997 grew at an average annual rate of 9%, surpassing that of direct investment in all industries in Canada. However, in the last two years of this period the rate of growth for the tourism sector was exceeded by that for FDI in total industries. Over the eleven-year period, direct investment in all industries showed a steady growth trend while FDI in tourism exhibited a more erratic growth pattern with decreases being registered in 1990 and 1992.

At 1987 year-end, foreign direct investment in Canada's tourism sector comprised 1.4% of the total stock of direct investment in all Canadian industries. At the end of the period under review, FDI in tourism represented 1.9% of direct investment in all industries. This was down slightly from the proportions of 2.1% and 2.0%, registered at the two previous year-ends, 1995 and 1996, correspondingly.

Direct investment was largest in the food and beverages sub-sector at the beginning of the period and at the end of the period, amounting to \$1.10 billion at 1997 year-end. Of the four tourism sub-sectors, food and beverages comprised 31% of FDI in Canada's tourism industries. Investment in accommodation services was next largest at \$984 million (27%). The other two groupings, transportation services and entertainment, recreation and amusement services, each accounted for 21%. Compared to the beginning of the period there was less disparity at 1997 year-end in direct investment among the four tourism sub-sectors. Direct investment in the accommodation services and transportation services groupings in Canada was affected by the wave of alliances and mergers and acquisitions occurring worldwide in the airline industry, distribution network and the hotel industry.

During the period under review, direct investment in the tourism sector from the United States dominated, comprising 68.5% or \$2.47 billion at 1997 year-end. This was almost identical with the geographical pattern for FDI in all industries, as the United States represented 69.3% of that national aggregate. However, direct investment from the United States in the tourism sector in Canada rose more moderately during the eleven-year period than investment from the non-U.S. group of countries.

Except for a period of three years, 1992 to 1994, investment in the tourism sector in Canada from direct investors resident in the United States was concentrated largely in food and beverage services. At 1997 year-end, FDI in food and beverages, at \$1.04 billion, comprised 42% of total American direct investment in Canada's tourism sector. From 1994, investment by U.S. direct investors in transportation services was also significant, to rank as the second largest tourism sub-sector at 1997 year-end.

Investment from the non-U.S. countries grew at an average annual rate of 16.3% during the period 1987 to 1997. The focus of the direct investment from this group of countries was primarily in the accommodation services category of Canada's tourism sector, comprising 61% at 1997 year-end. The direct investment in accommodation services could be identified as originating primarily from investors in the European Union or Other OECD group of countries. During the entire eleven-year period, investment in accommodation services was the largest of the four tourism sub-sectors for this group of countries.

Endnotes

1. Harold L. Vogel, Travel industry economics – A Guide for Financial Analysis, Cambridge University Press, 2001, page 97.

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Appendices

Appendix I Concept of Foreign Direct Investment Component of the Balance of Payments and the International Investment Position

Foreign direct investment is first and foremost a balance of payments concept. The balance of payments refers to the grouping of statistics measuring transactions of all types by the residents of an economy with residents of other economies in the world.

Although it is commonly referred to as simply the balance of payments, it is in fact the balance of international payments. Basically the transactions, between residents and nonresidents, consist of those involving merchandise, services, and income and those transactions involving financial claims on, and liabilities to, the rest of the world and such unilateral transactions as transfers, including gifts and international development assistance. Of the myriad of international transactions direct investment pertains to those financial transactions resulting in financial claims on other economies and those resulting in financial liabilities to nonresidents.

As it is a balance of payments concept, direct investment embodies intrinsically an international character or nature. As a result, direct investment can be used interchangeably with foreign direct investment and is also commonly referred to with the acronym FDI. Direct investment indicates automatically that there is a foreign element or an international aspect involving the financial claim or liability.

The concept of direct investment is basically covered in two publications. One is the *Balance of Payments Manual*, Fifth edition, 1993 (BPM5) by the International Monetary Fund (IMF). The second publication is *Benchmark Definition of Foreign Direct Investment*, Third edition, 1996 (BD3) by the Organization for Economic Co-operation and Development (OECD). The concept of FDI in these two publications is fully consistent and is intended to establish the international standards for the compilation of FDI statistics. The former publication is mainly intended to provide guidance to balance of payments compilers for the compilation of balance of payments and international investment statistics that meet international standards.

Direct investment can be defined as an international investment with the objective of having a “lasting interest” in an enterprise and having sufficient investment to have a “significant degree of influence” on the management of the enterprise. It is essential that these two elements be present in the international investment in order to have a direct investment relationship – that the investment is a long-term investment and that the investor has a voice in the management of the enterprise. Basically, it is the intention of an investor, resident in one economy, to have an investment of lasting interest, in an enterprise that is resident in another economy. In addition, the investor has the objective of owning a sufficient number of the common (voting) shares to have an influence in the policies and direction of the enterprise.

For statistical operating purposes, the ownership of ten percent or more of the common shares or voting power has been used to identify direct investment. This is the international standard that has been outlined in both direct investment manuals and advocated by the IMF and the OECD. The ten percent ownership criterion has been specified in order to enhance international comparability of direct investment statistics. For all intents and purposes, this

has been the Canadian practice as there are very few direct investment relationships which emerge at this low level of ownership of common shares. Nevertheless, the determination of direct investment in the past has been decided subjectively on a case-by-case basis taking into consideration the FDI criteria.

In this rapidly-changing world with the many different types of investment relationships and changing investment forms and structures, a direct investment relationship does not represent control of the enterprise but a “softer”, more practical and far-sighted, consideration of influence on the management of the enterprise. Nevertheless, in most direct investment relationships, the foreign investor has control of the enterprise as the bulk of the enterprises are wholly-owned or majority-owned by the foreign investor. For example, foreign direct investment in majority-owned enterprises in Canada, based on the book value of inward direct investment positions, comprised 87% of total FDI in Canada at 1997 year-end. In other words, an overwhelming proportion of the direct investment in Canada at the end of 1997 was in majority-owned enterprises that can be considered to be controlled by non-residents.

In order to get a better understanding of direct investment, it is important to look at the larger picture of the BOP framework and the standard components within it. The balance of payments of Canada is broken down into the current account, capital account and the financial account (Table 1). The current account is divided into receipts and payments; with the receipts accounting for the exports of goods and services, investment income earnings and current transfer receipts. The payments cover the imports of goods and services from non-residents, remittances of investment income and current transfer payments. The capital account covers capital transfers, such as migrants’ funds and debt forgiveness, and the acquisition and disposal of intangible assets, such as patents and leases. The financial account comprises transactions in financial assets and in financial liabilities.

The asset and liability components of the financial account are classified by functional breakdown: direct investment, portfolio investment, other investment and reserve assets. The reserve assets component only appears on the asset component side of the financial account. In the financial account presentation of Canada, the reserve assets, referred to as *Official international reserves*, is included as a sub-component of *other investment* financial assets.

The financial account covers all the foreign financial assets and the financial liabilities of an economy. As defined previously direct investment covers investment by an investor in an enterprise operating outside his economy where the investor has influence over the management of that enterprise. Portfolio investment covers investment in marketable securities, such as equities, debt and money market instruments, where the investor is a passive investor having no influence in the management of the issuer of the securities. The equity securities cover common shares, preferred shares and similar participation instruments as American Depositary Receipts (ADRs). The debt securities cover bonds, debentures, and notes that may be issued by corporations, governments, government enterprises, nonprofit organizations and institutions, including hospitals and universities. The money market instruments cover debt instruments with original maturities of one year or less, such as treasury bills and commercial paper. *Other investment* is a residual group covering investments that are not covered in direct investment and portfolio investment. Some of the instruments in this grouping are loans, trade credits, currency and deposits, and reserve assets. The trade credits and loans between parties that are related are not included with *other investment*, but with direct investment.

Financial Account (BOP) and International Investment Position Flows and Stocks

As previously stated, foreign direct investment is virtually a balance of payments concept. It is one of the components of the financial account of the balance of payments, and, concomitantly, a component among the assets and liabilities of the international investment position. Inextricably linked to the flow-oriented financial portion of the balance of payments is the stock-oriented international investment position (Table 2). The FDI statistics in the balance of payments are the flows of direct investment capital during a time period, normally a year but increasingly on a quarterly basis by many countries. The FDI statistics in the international investment position are the stock, position, level or amount of investment at a point in time, normally at calendar or fiscal year ends. The items or categories in the financial account and the IIP should be almost identical as the transactions in the BOP contribute to changes in the stock of financial assets and liabilities appearing in the IIP. The presentation of the items need not be the same as the sources and methods of compiling the flows could be quite different from those for compiling the stocks of financial items.

In summary, the flows of direct investment capital are recorded in the financial account of the balance of payments. The stocks (positions, levels) of direct investment are recorded in the international investment position. A change in the FDI stocks of two consecutive year-ends can be attributable to the FDI transactions (flows) reflected in the balance of payments and to valuation changes (due to changes in prices and exchange rates) and to other adjustments (accounting changes).

Financial Assets and Financial Liabilities

The financial account and IIP is divided into financial assets and financial liabilities covering all international transactions involving financial claims of an economy on other economies and the financial liabilities of the economy to foreign investors, such as shareholders and creditors. In the Canadian presentation for the financial account and the IIP, both the assets and liabilities are sub-divided as to direct investment, portfolio investment and *other investment*.

The financial account covers all the various types of financial investments and financial instruments that all the sectors of the Canadian economy, governments, businesses, and households, would have as claims on or as liabilities to other foreign countries. With respect to financial assets, for example, the Canadian government may have loans to foreign governments through the Canadian International Development Agency or the Export Development Corporation, and holdings of foreign currencies as part of Canada's official reserve assets. In addition, for example, the household sector may own equity shares of publicly-traded German companies, bonds of utility companies in Florida, units in American mutual funds, and deposits in banks based in the Cayman Islands. With respect to financial liabilities, for example, Canadian companies may have loans from syndicates of foreign banks, short-term commercial paper placed in the New York financial market, trade payables to foreign exporters, and ownership of common shares by investment funds domiciled in the United Kingdom. These different types of financial investments, assets and liabilities, are classified functionally within the classification structure of the financial account and the international investment position for meaningful compilation and analysis.

Inward and Outward Direct Investment

Within the balance of payments/international investment position framework, there are two unique and distinct series --- inward direct investment and outward direct investment. There are flows, compiled in the financial account of the balance of payments, and stocks, compiled in the international investment position, for each of these two series. In the Canadian BOP/IIP framework, the former series is referred to as Foreign direct investment in Canada and represents financial liabilities of the Canadian economy to foreign investors. The latter series is called Canadian direct investment abroad, and represents financial assets of Canadian transnational enterprises in foreign countries. With globalization and the maturation of Canadian companies, more Canadian companies have been conducting direct investment activities in other countries.

The focus of this study is upon inward FDI or direct investment liabilities of the tourism sector in Canada. Specifically, the analysis will be upon the foreign direct investment position statistics in the sectors which are considered to be the tourism industries in Canada.

Direct Investment Relationship

Once a direct investment relationship has been determined to exist, the foreign investor is referred to as the direct investor and the company receiving the investment is the direct investment enterprise. In everyday terms the direct investor in a majority-owned company is referred to as the foreign parent company or the foreign transnational corporation. Similarly, the majority-owned direct investment enterprise would be known as the subsidiary.

In a direct investment relationship, all of the capital owned and provided by the direct investor to the direct investment enterprise such as common shares, preferred shares, loans, inter-company payables, trade payables would be considered as direct investment. Also included, as offsets, would be any shares or loans that the direct investment enterprise would have as claims on the parent and any account and trade receivables that the direct investment enterprise has from the direct investor. In reality, direct investment includes the capital to or from the transnational corporation family or direct investor group, including other foreign companies that are controlled or affiliated with the foreign direct investor. For unincorporated entities, such as branches, the capital provided by the direct investor would be considered as equity in the branches.

The universe of direct investment enterprises in Canada comprises publicly-traded companies and privately-owned companies. Although there are a number of sizeable enterprises that are publicly-held, an overwhelming proportion of them are privately-held. The bulk, 87%, of the value of foreign direct investment in Canada at 1997 year-end was invested in subsidiaries. In other words, most of the inward FDI in Canada were in enterprises that the foreign investors owned more than 50% of the voting securities.

Retained Earnings and Reinvested Earnings

Retained earnings or reinvested earnings are important capital in the compilation of FDI flows and stocks. Although the two terms are used interchangeably at times, retained earnings are used for the compilation of FDI stocks from the balance sheet of enterprises, representing the cumulative stock of reinvested earnings from past financial accounting periods. Reinvested earnings are normally used with respect to transactions or the flow aspects of earnings during a particular financial period by direct investment enterprises.

The compilation of the stock for the equity component does not include only the value of the shares owned by the foreign direct investor appearing in the shareholders' equity portion of the balance sheet but also the share of the retained earnings and other items in the shareholders' equity, such as contributed surplus. For example, the compilation of the stock of inward direct investment for a direct investment enterprise that is 70% owned by a foreign direct investor would entail taking 70% of the shareholders' equity. In effect, this results in the adding together of 70% of the share capital value, and 70% of the rest of shareholders' equity, which may consist only of retained earnings. However, if there are other items such as contributed surplus and cumulative foreign currency translation adjustments, then these equity items should be apportioned and be included as part of the stock of equity for inward FDI.

The reinvested earnings of direct investment enterprises have become an important source of finance for FDI and it has become a vital component of net inflows of direct investment capital. This is particularly true for direct investment enterprises that have been established for a number of years and have succeeded in generating profitable operations in host countries. As the foreign direct investor has influence over the management of the enterprise, the investor is deemed to be able to make the decision about the use of internally generated funds. For all intents and purposes the direct investor is considered to have made the decision to make this additional investment in the enterprise rather than to receive dividend income.

With respect to inward direct investment for a compiling economy, the retained earnings are firstly recorded as part of investment income payments in the current account. An offsetting entry, with the opposite sign, is then registered in the financial account, under inward direct investment (financial liabilities) to show the increased investment in the direct investment enterprise. In reality there are no cross-border flows for the earnings that are reinvested by direct investors, but it is recommended that the BOP compilers articulate them in the investment income and financial accounts. The imputation of reinvested earnings will facilitate the reconciliation of FDI flows with changes in the stock of FDI.

Valuation of Transactions and Stocks of FDI

The BPM5 recommends that market price be used as the basis of valuation for both the transactions and stocks. Transactions (flows) should be valued at the actual price agreed upon by buyers and sellers. The positions or stocks of assets and liabilities should be valued at the market prices in effect at the time to which the balance sheet relates. In principle, the financial assets and liabilities reflected in the international investment position statement should be at market prices. However, it is recognized for direct investment that book values may be the only values available for the compilation of stocks of FDI. The determination of market values would be particularly difficult for direct investment enterprises as many of them are privately-held rather than publicly-traded companies. As a result, it is realized that, in practice, it may be preferable to compile book values of direct investment as contained on the balance sheet of direct investment enterprises. The assets and liabilities on the balance sheets would be considered to be historical costs, although the accretion of reinvested earnings each year provides a certain amount of currentness to the retained earnings used in the compilation of the stock of FDI.

The data that are to be analyzed in this study are inward direct investment stocks for tourism industries in Canada. These position statistics represent book values of FDI, rather than market values, as collected and compiled by Statistics Canada from their surveys of direct investment enterprises. The values of the loans, payables, receivables, and shareholders' equity would be the values as contained in the balance sheets of the Canadian enterprises considered to be part of the tourism sector.

Appendix II
Classification Codes for the Tourism Sector
Based on the
Canadian Standard Industrial Classification for Companies and Enterprises 1980

The tourism sector is confined largely to two sectors of the SIC for Companies and Enterprises (SIC-C), namely Sector J Transportation Services, and Sector P Accommodation, Restaurants and Recreation Services and a small portion from one four-digit subsegment of Sector O Education, Health and Social Services to include museums and archives. The twenty-two four-digit subsegments that comprise the tourism sector are detailed below.

Sector J Transportation Services

Subsector 45 – Air Transport

4511 Air Transport

Subsector 46 – Railway Transport

4611 Railway Transport

Subsector 47 – Water Transport

4711 Water Transport Carriers

Subsector 49 – Urban Transit and Other Passenger Transport

4921 Interurban and Rural Transit System Operations

4922 Taxi Service

4929 Other Passenger Transport n.e.c.

Sector O Education, Health and Social Services

Subsector 75 – Education

7541 Other Educational Services

Sector P Accommodation, Restaurants and Recreation Services

Subsector 80 - Accommodation Services

8011 Hotels and Motor Hotels

8021 Motels

8031 Other Accommodation Services

Subsector 81 - Food and Beverage Services

8111 Restaurants, Licensed

8121 Restaurants, Unlicensed

8131 Other Food Services

8141 Taverns, Bars and Night Clubs

Subsector 82 - Entertainment, Recreation and Amusement Services

8211 Professional Sports Clubs

8212 Motion Picture and Video Distribution and Exhibition

8219 Other Entertainment and Related Services

8221 Recreation Services

8222 Gambling Operations

8229 Other Amusement Services

8231 Travel Agencies

8232 Tour Wholesalers and Operators

Source: Catalogue 12-570E *Canadian Standard Industrial Classification for Companies and Enterprises 1980*

Appendix III

Source of Foreign Direct Investment Data

Besides administrative records, the Balance of Payments Division (BOP) of Statistics Canada uses about thirty questionnaires to gather information for the compilation of statistics for the balance of payments and the international investment position. Only the enterprise survey questionnaires that are used to compile statistics for inward direct investment in Canada will be covered here. Even though this study deals only with inward direct investment position statistics, the questionnaires used to collect both the flow and stock inputs for inward foreign investment will be covered. It should be appreciated that the questionnaires may be used to gather all types of financial capital and all types of international transactions, not only those of a direct investment nature or only those transactions with foreign parent companies.

The BOP Division at Statistics Canada continues to perform the survey operations for its own surveys. The BOP conducts its own surveys largely due to the highly specialized and technical nature of the survey questionnaires. Over the years, the BOP has attempted to maintain on its survey frame all of the companies that have foreign capital invested in them (foreign direct, portfolio and other investment), Canadian companies that have direct investments abroad, and companies that may otherwise have international transactions of any other type.

In an effort to reduce response burden for businesses a number of smaller companies have been placed on a basis to be surveyed once every five years. Nevertheless, the focus of the survey operations in the BOP is to maintain a current survey frame containing all of the Canadian enterprises that have foreign capital invested in them and the Canadian enterprises that have investments in other countries.

The main survey used to collect foreign investment position data is the annual questionnaire *Geographical distribution of capital* (BP 52). Basically, the questionnaire requests information about the ownership of long-term capital, debt and equity, invested in the Canadian enterprise at a point in time. This information would normally appear in or be used to compile the balance sheet for the enterprise. It is intended for the Canadian legal entity to complete the form on a Canadian consolidation basis, including Canadian subsidiaries or Canadian companies that they control. With respect to debt, financial details are requested for each issue of bond, bank loan and other long-term debt instrument including mortgages and long-term leases, broken down by the country of ownership and indicating whether it is provided by direct or other (portfolio) investors. As for the equity, the geographical ownership of the share capital is requested in addition to the identification of the principal investors. The all-important earned surplus or retained earnings from the balance sheet of the enterprise is also requested to be provided.

The annual questionnaire *Investment in Canada by non-Canadian corporations* (BP 22) is used to cover the operations in Canada of foreign companies, which have not incorporated a separate entity in Canada. The form requests information on capital flows and the balance sheet of the Canadian branch. There are also items covering transactions in investment income and commercial services. This form provides inputs for the compilation of both flows and stocks of inward direct investment.

The annual questionnaire *Transactions between Canada and other countries* (BP 21) is used primarily to gather information about capital flows and transactions during the financial year.

The first section asks for long-term capital transactions with non-residents, with respect to (i) non-Canadian investment in the reporting entity and (ii) investment abroad by the reporting entity. The second section requests information about short-term assets and liabilities with non-residents for the current year-end and the previous year-end. These short-term financial items would normally be found directly on the balance sheet or in working documents used to compile short-term assets and liabilities for this financial statement. Although position data are requested, the format also allows the calculation of short-term flows from the position data. In this manner section two is a source for short-term flows and positions. Many details are requested about the short-term positions to permit the allocation to inward direct investment and outward direct investment. The third section asks for information about transactions with respect to investment income, commercial services as well as net income of foreign entities. The respondent is also asked to list the Canadian subsidiaries and affiliates that are not consolidated on this BP 21 questionnaire.

There is also a quarterly version of the BP 21 questionnaire that is sent to about 400 of the larger enterprises for their international transactions during a calendar quarter. The annual form *Transactions between Canada and other countries* is sent to over 5,000 Canadian enterprises. The quarterly form is a shortened two-page version similar in format to the four-page annual questionnaire. Information is requested about inward and outward long-term capital movements during the three months in the calendar quarter. The short-term assets and liabilities with non-residents are covered by asking for the current quarter ending and previous quarter ending positions. The quarterly capital flows are derived from the changes in the quarterly period-end positions. In conjunction with this quarterly survey there is a computerized system that is used to collect and store newspaper articles dealing with international transactions by corporations. This is particularly useful for the systematic monitoring and analysis of all mergers and acquisitions, involving Canadian companies within Canada and in other countries, to compile flows of capital for each quarter in the balance of payments.

Most of the larger enterprises in Canada receive both the *Geographical distribution of capital* and the *Transactions between Canada and other countries* annual which is used to compile, respectively, the year-end foreign long-term capital investment positions and the flows of long-term capital from foreign investors during the year. With all this information much of the BOP compilers efforts are devoted to verifying, checking and reconciling the changes in the foreign investment positions, from one year-end to the next, with the flows of capital during the year.

There is no legal requirement for companies in Canada to register with a regulatory body when they employ capital from foreign sources. Companies in Canada can be incorporated federally or provincially. It is a challenging task for the BOP to maintain a current survey frame of companies that have foreign investment in them. As a result the quality of the foreign investment statistics depends, to a certain extent, upon the coverage of the survey frame and the response rates to the surveys.

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Text Table 1

Foreign Direct Investment in Canada

By Industry

Year-ends 1987, 1992 and 1997

Millions of dollars

	1987	1992	1997
Wood and paper	5,310	8,895	10,560
Energy and metallic minerals	26,822	30,062	31,299
Machinery and transportation equipment	17,050	18,496	29,493
Finance and insurance	17,663	26,873	33,479
Services and retailing(1)	8,114	10,807	18,008
Other industries(2)	30,978	42,785	64,747
Total	105,937	137,918	187,586

Source: Canada's international investment position, 1997, Cat. 67-202, Table 13

(1) Includes Transportation Services; General Services to Business; Government Services; Education, Health and Social Services; Accommodation, Restaurants, and Recreation Services; Food Retailing; Consumer Goods and Services.

(2) Includes Food, Beverage and Tobacco; Chemicals, Chemical Products and Textiles; Electrical and Electronic Products; Construction and Related Activities; Communications.

Text Table 2

Foreign Direct Investment Position in Canada's Tourism Industries

Year-ends 1987, 1992 and 1997

Total - All Regions

Millions of dollars

	1987	1992	1997
Transportation services	169	420	768
Accommodation services	278	695	984
Food and beverage services	623	405	1,101
Entertainment, recreation and amusement services	457	488	754
Total	1,527	2,008	3,607

Text Table 3

Foreign Direct Investment in Canada by Region

All industries and Tourism industries

Year-ends 1987, 1992 and 1997

Millions of dollars

	All industries			Tourism industries		
	1987	1992	1997	1987	1992	1997
United States	74,022	88,161	130,022	1,277	1,108	2,471
United Kingdom	12,401	16,799	15,623			
Other EU	8,907	15,056	22,306			
Japan	3,045	5,962	7,123	250	900	1,136
Other OECD	4,680	6,913	6,335			
All other	2,882	5,027	6,177			
Total	105,937	137,918	187,586	1,527	2,008	3,607

Table 1

Canada's Balance of Payments, All Countries
Annual 1994 - 1997
Millions of dollars

	1994	1995	1996	1997
CURRENT ACCOUNT				
Receipts				
Goods and Services:	260,917	300,914	319,715	342,673
Goods	228,167	264,751	279,701	301,101
Services	32,750	36,163	40,014	41,572
Investment income:	21,100	25,898	26,271	29,722
Direct investment	9,183	10,034	10,940	13,253
Portfolio investment	3,196	3,260	3,035	3,397
Other investment	8,721	12,603	12,296	13,072
Current Transfers	3,584	3,806	4,448	4,828
Current account receipts	285,601	330,618	350,433	377,223
Payments				
Goods and Services:	252,285	276,379	287,090	327,162
Goods	207,872	229,940	237,816	276,846
Services	44,413	46,439	49,274	50,316
Investment income:	46,990	56,688	54,630	58,649
Direct investment	8,598	14,083	13,286	15,962
Portfolio investment	27,756	29,861	28,870	29,070
Other investment	10,635	12,744	12,475	13,617
Current Transfers	4,056	3,998	4,183	4,227
Current account payments	303,331	337,065	345,903	390,038
Balances				
Goods and Services:	8,632	24,535	32,625	15,511
Goods	20,295	34,812	41,884	24,255
Services	-11,663	-10,277	-9,260	-8,744
Investment income:	-25,889	-30,790	-28,359	-28,927
Direct investment	585	-4,049	-2,346	-2,709
Portfolio investment	-24,561	-26,601	-25,835	-25,673
Other investment	-1,914	-140	-178	-545
Current Transfers	-472	-192	265	600
Current account balance	-17,730	-6,447	4,530	-12,815
CAPITAL AND FINANCIAL ACCOUNT				
CAPITAL ACCOUNT	10,241	6,789	8,082	7,609
FINANCIAL ACCOUNT	7,520	-7,046	-21,023	12,261
Canadian assets, net flows				
Canadian direct investment abroad	-12,694	-15,835	-15,841	-19,426
Portfolio investment:	-8,927	-7,331	-18,562	-11,192
Foreign bonds	435	-1,085	-1,986	-6,702
Foreign stocks	-9,362	-6,247	-16,576	-4,491
Other investment:	-27,408	-15,535	-37,723	-21,088
Loans	123	-3,443	-4,586	-21,134
Deposits	-19,889	-7,162	-18,802	-2,788
Official international reserves	489	-3,777	-7,498	3,388
Other assets	-8,131	-1,153	-6,855	-554

Total Canadian assets, net flows	-49,029	-38,701	-72,127	-51,706
Canadian liabilities, net flows				
Foreign direct investment in Canada	11,206	12,549	9,301	9,876
Portfolio investment:	23,312	24,636	20,216	18,743
Canadian bonds	15,995	30,132	19,253	9,507
Canadian stocks	6,412	-4,242	8,281	7,642
Canadian money market	905	-1,254	-7,319	1,594
Other investment:	22,032	-5,530	21,588	35,348
Loans	-137	722	6,121	-951
Deposits	21,005	-6,009	16,862	34,109
Other liabilities	1,165	-243	-1,395	2,190
Total Canadian liabilities, net flows	56,550	31,655	51,104	63,966
TOTAL CAPITAL AND FINANCIAL ACCOUNT, NET FLOWS	17,762	-258	-12,941	19,870
STATISTICAL DISCREPANCY	-32	6,705	8,411	-7,054

Source: Catalogue no. 67-001 Canada's Balance of International Payments, First Quarter 1998 1

Table A

Table 2

Canada's International Investment Position, All Countries

Year-ends 1994 to 1997

Millions of dollars

	1994	1995	1996	1997
Assets				
Canadian direct investment abroad	143,039	161,513	177,030	193,674
Portfolio investment	80,499	82,227	98,343	111,467
Foreign bonds	18,317	18,822	21,263	27,505
Foreign stocks	62,182	63,405	77,080	83,962
Other investment	168,149	181,015	211,361	244,648
Loans	31,208	34,483	39,092	61,096
Allowances	-11,950	-11,792	-11,331	-10,796
Deposits	73,133	78,429	96,975	100,478
Official international reserves	17,487	20,767	28,201	25,704
Other assets	58,271	59,129	58,424	68,167
Total	391,686	424,756	486,734	549,789
Liabilities				
Foreign direct investment in Canada	154,327	167,723	174,578	187,586
Portfolio investment	393,168	422,789	443,606	467,579
Canadian bonds	314,879	339,761	356,939	373,180
Canadian stocks	30,760	36,510	47,351	50,579
Canadian money market	47,529	46,519	39,315	43,820
Other investment	180,531	171,101	199,670	234,027
Loans	45,043	43,622	53,915	49,623
Deposits	117,878	109,308	126,836	165,558
Other liabilities	17,609	18,172	18,919	18,846
Total	728,026	761,614	817,854	889,192
Net international investment position	-336,339	-336,858	-331,120	-339,403

Source: Canada's international investment position 1997, Cat. 67-202 Table 1

Table 6

Foreign Direct Investment in Canada

Total Industries and Tourism Industries

Year-ends 1987-1997

Millions of Canadian dollars

	Tourism Industries	Total Industries	Tourism as Percent of Total
1987	1,527	105,937	1.44
1988	1,697	114,175	1.49
1989	2,336	122,664	1.90
1990	2,256	130,932	1.72
1991	2,313	135,234	1.71
1992	2,008	137,918	1.46
1993	2,067	141,493	1.46
1994	2,536	154,327	1.64
1995	3,441	167,723	2.05
1996	3,538	174,578	2.03
1997	3,607	187,586	1.92

Table 3

Foreign Direct Investment in Canada

Total FDI Flows 1987-1997

Total FDI Positions Year-ends 1987-1997

Millions of dollars

	FDI Flows	FDI Positions Year-ends
1987	10,760	105,937
1988	7,538	114,175
1989	7,116	122,664
1990	8,847	130,932
1991	3,301	135,234
1992	5,708	137,918
1993	6,125	141,493
1994	11,551	154,327
1995	14,769	167,723
1996	8,726	174,578
1997	11,421	187,586

Table 4

Foreign Direct Investment in Canada
 Contributors to Net Change in
 FDI Positions, 1987-1997
 Millions of dollars

	<u>Net FDI Capital Transactions</u>			Other factors	Net change in FDI Positions	FDI Positions Year-ends
	Flows	Reinvested earnings	Total			
1987	5,026	5,734	10,760	-876	9,883	105,937
1988	4,627	2,911	7,538	701	8,238	114,175
1989	3,592	3,524	7,116	1,372	8,489	122,664
1990	9,306	-459	8,847	-578	8,269	130,932
1991	6,542	-3,241	3,301	1,000	4,301	135,234
1992	9,220	-3,512	5,708	-3,024	2,684	137,918
1993	4,654	1,470	6,125	-2,549	3,575	141,493
1994	8,212	3,339	11,551	1,282	12,834	154,327
1995	6,831	7,938	14,769	-1,373	13,396	167,723
1996	3,421	5,305	8,726	-1,871	6,855	174,578
1997	2,508	8,913	11,421	1,587	13,008	187,586

Source: Cat. 67-202 Canada's International Investment Position 1997, Table 14

Table 7

Foreign Direct Investment in Canada's Tourism Industries

By Tourism Sub-sectors

Year-ends 1987 - 1997

Millions of dollars

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Transportation services	169	255	328	378	400	420	386	676	739	722	768
Accommodation services	278	312	1,022	940	765	695	897	997	1,057	875	984
Food and beverage services	623	639	599	571	655	405	371	365	1,008	1,064	1,101
Entertainment, recreation and amusement services	457	491	387	367	493	488	413	498	637	877	754
Total	1,527	1,697	2,336	2,256	2,313	2,008	2,067	2,536	3,441	3,538	3,607

Table 5

Foreign Direct Investment in Canada's Tourism Industries

By Tourism Sub-sectors and Subsegments

Year-ends 1987 - 1997

Millions of dollars

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Transportation Services	169	255	328	378	400	420	386	676	739	722	768
Air transport	66	64	82	99	116	114	120	377	387	380	385
All other transportation	57	118	172	208	215	245	209	248	299	246	274
Unallocated	46	73	74	71	69	61	57	51	53	96	109
Accommodation Services	278	312	1,022	940	765	695	897	997	1,057	875	984
Food and Beverage Services	623	639	599	571	655	405	371	365	1,008	1,064	1,101
Entertainment, Recreation and Amusement Services	457	491	387	367	493	488	413	498	637	877	754
Motion picture and video	382	395	319	279	271	243	234	232	265	347	195
All other entertainment and recreation services	42	40	30	39	44	47	79	120	173	258	279
Unallocated	33	56	38	49	178	198	100	146	199	272	280
Total	1,527	1,697	2,336	2,256	2,313	2,008	2,067	2,536	3,441	3,538	3,607

Table 8

Foreign Direct Investment in Canada's Tourism Industries

By Geographical Region

Year-ends 1987 - 1997

Millions of dollars

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
United States	1,277	1,337	1,443	1,423	1,363	1,108	1,049	1,495	2,433	2,417	2,471
Other countries	250	360	893	833	950	900	1,018	1,041	1,008	1,121	1,136
Total	1,527	1,697	2,336	2,256	2,313	2,008	2,067	2,536	3,441	3,538	3,607

Table 9

Foreign direct investment in Food and Beverage Services and Entertainment, Recreation and Amusement Services

By Geographical Region

Year ends 1987 to 1997

Millions of dollars

	Food and Beverage Services			Entertainment, Recreation and Amusement Services		
	USA	All Other	Total	USA	All Other	Total
1987	553	70	623	424	33	457
1988	532	107	639	435	56	491
1989	488	111	599	349	38	387
1990	467	104	571	318	49	367
1991	534	121	655	315	178	493
1992	297	108	405	290	198	488
1993	269	102	371	313	100	413
1994	295	70	365	352	146	498
1995	939	69	1,008	438	199	637
1996	1,002	62	1,064	605	272	877
1997	1,044	57	1,101	474	280	754

Table 10

Foreign Direct Investment in Transportation Services

By Geographical Region

Year ends 1987 to 1997

Millions of dollars

	Transportation Services				
	USA	EU	Japan/OECD	All Other	Total
1987	123	22	8	16	169
1988	182	47	12	14	255
1989	254	44	16	14	328
1990	307	43	17	11	378
1991	331	38	20	11	400
1992	359	39	18	4	420
1993	329	37	16	4	386
1994	625	27	15	9	676
1995	686	31	12	10	739
1996	626	74	14	8	722
1997	659	87	14	8	768

Table 11

Foreign Direct Investment in Accommodation Services
By Geographical Region
Year ends 1987 to 1997
Millions of dollars

	Accommodation Services			
	USA	EU/OECD	All Other	Total
1987	177	36	65	278
1988	188	31	93	312
1989	352	517	153	1,022
1990	331	522	87	940
1991	183	450	132	765
1992	162	393	140	695
1993	138	575	184	897
1994	223	539	235	997
1995	370	576	111	1,057
1996	184	560	131	875
1997	294	549	141	984

Table 12

United States Direct Investment in Canada's Tourism Industries

By Tourism Sub-sectors and Subsegments

Year-ends 1987 - 1997

Millions of dollars

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Transportation Services	123	182	254	307	331	359	329	625	686	626	659
Air transport	66	64	82	99	116	114	120	377	387	380	385
All other transportation	57	118	172	208	215	245	209	248	299	246	274
Accommodation Services	177	188	352	331	183	162	138	223	370	184	294
Food and Beverage Services	553	532	488	467	534	297	269	295	939	1,002	1,044
Entertainment, Recreation and Amusement Services	424	435	349	318	315	290	313	352	438	605	474
Motion picture and video	382	395	319	279	271	243	234	232	265	347	195
All other entertainment and recreation services	42	40	30	39	44	47	79	120	173	258	279
Total	1,277	1,337	1,443	1,423	1,363	1,108	1,049	1,495	2,433	2,417	2,471

Table 13

Foreign Direct Investment in Canada

By Geographical Area

Total Industries

Year-ends 1987 to 1997

Millions of dollars

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
United States	74,022	76,049	80,427	84,089	86,396	88,161	90,600	102,542	112,834	118,261	130,022
United Kingdom	12,401	15,696	15,556	17,185	16,224	16,799	15,872	14,717	14,140	14,025	15,623
Other EU	8,907	9,747	12,342	14,339	14,098	15,056	15,732	16,878	21,607	22,777	22,306
Japan	3,045	3,568	4,769	5,222	5,596	5,962	6,249	6,620	6,861	7,054	7,123
Other OECD	4,680	5,180	5,547	5,871	6,803	6,913	7,312	7,697	5,826	6,347	6,335
All other	2,882	3,935	4,022	4,227	5,308	5,027	5,727	5,873	6,455	6,114	6,177
Total	105,937	114,175	122,664	130,932	135,234	137,918	141,493	154,327	167,723	174,578	187,586

Source: Canada's international investment position, 1997 Cat. 67-202 Table 12

Other EU (Other European Union countries) - Includes currently Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. From January 1995, includes Austria, Finland and Sweden.

Other OECD (Other Organization for Economic Co-operation and Development countries) - Includes currently Australia, Iceland, New Zealand, Norway, Switzerland, Turkey; from July 1994, Mexico; from December 1995, the Czech Republic; from May 1996, Hungary; from November 1996, Poland; from December 1996, Republic of Korea; up to December 1994, Austria, Finland and Sweden.

Table 14

Foreign Direct Investment in Canada
By Country and Geographical Region
Year-ends 1992 to 1997
Millions of dollars

Location of ownership	1992	1993	1994	1995	1996	1997
North America						
United States	88,161	90,600	102,542	112,834	118,261	130,022
Bahamas	77	82	89	111	128	124
Bermuda	1,410	1,688	1,476	1,584	1,615	1,628
Netherlands Antilles	66	59	103	179	254	284
Mexico	60	154	177	160	267	223
Other North America	127	142	139	145	43	-82
Sub-total, North America	89,901	92,726	104,526	115,013	120,568	132,200
South and Central America						
Panama	123	128	92	93	97	94
Venezuela	22	-20	-55	10	-7	-32
Other South and Central America	154	161	188	268	258	293
Sub-total, South and Central America	300	269	225	370	348	355
Europe						
United Kingdom	16,799	15,872	14,717	14,140	14,025	15,623
Germany	5,012	5,066	4,770	5,074	4,878	4,699
Netherlands	4,505	4,816	5,349	6,216	7,010	6,158
Switzerland	2,927	3,024	3,413	3,514	4,146	4,131
France	4,151	4,365	5,173	5,513	5,594	5,266
Belgium and Luxembourg	786	916	940	2,605	2,775	2,845
Sweden	1,091	982	1,044	859	1,051	1,780
Ireland	73	11	79	56	51	-26
Italy	388	401	277	332	327	381
Austria	278	309	287	324	311	323
Norway	428	443	555	538	588	611
Spain	35	37	65	62	106	137
Greece	22	23	24	25	25	29
Denmark	77	80	177	172	198	227
Other Europe	683	583	640	581	682	711
Sub-total, Europe	37,256	36,930	37,509	40,012	41,766	42,895
Africa	-7	2	15	25	41	48
Asia/Oceania						
Pacific Rim:						
Japan	5,962	6,249	6,620	6,861	7,054	7,123
Hong Kong	2,358	2,496	2,730	2,890	2,656	2,892
Australia	825	765	772	405	425	283
South Korea	57	-2	44	109	153	181
Singapore	102	153	201	356	283	238
Taiwan	99	102	121	117	114	125
Malaysia	47	73	104	61	125	121
Other Pacific Rim	877	1,561	1,264	1,374	835	901
Sub-total, Pacific Rim	10,326	11,397	11,856	12,174	11,645	11,863
Middle East:						
Saudi Arabia	17	2	39	17	41	58

Israel	77	70	97	90	93	89
Other Middle East	39	90	57	16	59	59
Sub-total, Middle East	132	162	193	124	194	206
India	11	9	5	-1	9	12
Other Asia/Oceania	-2	-2	-	-	-	-
Sub-total, Asia/Oceania	10,468	11,566	12,053	12,296	11,847	12,080
Total	137,918	141,493	154,327	167,723	174,578	187,586
Industrialized countries, total	132,858	135,728	148,246	161,066	168,035	181,001
Other countries, total	5,059	5,765	6,081	6,657	6,544	6,586