

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF GLOBAL ECONOMICS**

**Bachelor's Thesis**

*Development and implementation of the international investment project “Children’s  
animation center” in Canada*

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## ABSTRACT

*Kurhan S.M. Development and implementation of the international investment project “Children’s animation center” in Canada.*

The paper examines the current state and trends of the Canadian economy over the past ten years. While doing a research, it has been found that Canada has a strong and very developed market economy which is quite stable. In addition, various trade agreements, especially NAFTA help the country to remain successful in its foreign economic activity. However, it still has to deal with the problems of weak productivity, poor investment, exchange rate overvaluation, and strong global competition in these latter days. Canada has been considered one of the most attractive countries in terms of investment, so making an investment there is a great idea if the project is worth it. Therefore, an international investment project to create a children’s animation center in Waterloo was developed at the expense of an investor from Ukraine. In this thesis the whole concept is described and calculations are presented for detecting the effectiveness of this investment project. The needed indicators and data have also been analyzed and organized in a required way for a better understanding.

Keywords: development of investment project, analysis of the economy of Canada, investment climate of Canada, NPV, payback period of the investment project

*Курган С.М. Розробка та шляхи реалізації міжнародного інвестиційного проекту «Дитячий центр анімації» у Канаді.*

У роботі проведено дослідження сучасного стану та тенденцій розвитку економіки Канади за останні десять років. Проводячи дослідження, було встановлено, що Канада має потужну і дуже розвинену ринкову економіку, яка є досить стабільною. Крім того, різні торгові угоди, особливо НАФТА, допомагають країні залишатися успішною у своїй зовнішньоекономічній діяльності. Однак вона все ще має вирішувати проблеми слабкої продуктивності, поганих інвестицій, переоцінки валютного курсу та сильної глобальної конкуренції останнім часом. Канада вважається однією з найпривабливіших країн з точки зору інвестицій, тому вкладати інвестиції там є чудовою ідеєю, якщо проект того вартий. Тож за кошти інвестора з України був розроблений міжнародний інвестиційний проект зі створення дитячого анімаційного центру у Ватерлоо. У цій дипломній роботі описана вся концепція та представлені розрахунки для виявлення ефективності цього інвестиційного проекту. Необхідні показники та дані також були проаналізовані та упорядковані необхідним чином для кращого розуміння.

Ключові слова: розробка інвестиційного проекту, аналіз економіки Канади, інвестиційний клімат Канади, NPV, термін окупності інвестиційного проекту

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## INTRODUCTION

The importance of the thesis lies in the crucial understanding of the process of implementation an international investment project of a particular type, which in this case is children's animation center. By doing particular researches and deepening in the core of the functioning of animation market in Canada and its whole economy it gives us almost complete knowledge of how to develop the right project that will fit in that market and how to implement it correctly by avoiding some possible issues that may appear.

Therefore, the main aim of this project is to develop an international investment project "Children's animation center" in Canada. In order to achieve the aim, I will collect as much relevant information that will help to understand fully the economy of the country and its international activity along with analyzing its investment climate and very important indicators and data that are needed in order to make corresponding findings and calculations. In the first chapter of the thesis, I am going to analyze the economy of Canada taking into account the current situation in this country, development trends and major problems that it's facing right now. Then, I will focus on the peculiarities of Canadian labor market and find out the role of immigrants in it. Moving further, the role of Canada among other countries will be defined by using specific resources and facts about this country. The second chapter will include information about foreign economic activity of Canada, international goods and capital movement. The important indicators such as export and import activity of the country, foreign direct investment and promising sectors for investment there will be analyzed diligently. Moreover, this chapter will include the assessment of Canada's investment climate and the degree of its attractiveness to investors which is extremely important in order to consider the right plan of implementation of the international investment project. The last chapter will contain the actual plan of development of the project to establish a children's animation center in Canada where I will analyze the animation market in Canada along with substantiation of the investment project for the creation of children's animation center and assessment of the need for investment resources and identification of sources of their involvement.

Finally, the thesis will provide you with estimated income calculation and assessment of the economic attractiveness of this investment project.

The object of the research is an international investment project, while the subject of the research is an international investment project “Children’s animation center” in Canada. Nowadays an investment activity is a fairly relevant topic for study and implementation. This is due to the fact that the implementation of investments is the most important condition for the implementation of strategic and tactical tasks of development and effective operation of the enterprise. The implementation of investment projects requires a huge amount of work and brainstorming in order to result in something really worthwhile. The beginning of investment activities is always associated with material and financial costs, while the funds received as a result of investment activities cannot be instantly converted into money capital. Based on the foregoing, one can argue about the relevance of the chosen topic - to assess the economic efficiency of the investment project “Children’s animation center” in Canada.

Unfortunately, 2020 brought the world not only the COVID-19 pandemic but also a crisis with all the ensuing consequences. Some companies were on the brink of survival and investors always expecting a possible market collapse were also not ready for such a development of events but even managed to benefit from it. The COVID-19 pandemic has shown that it is necessary to pay attention to a strong strategic business plan and the ability to support a startup. By analyzing particular information, it is possible to decide whether to invest or not based on the specific calculation methods which will be done at the last chapter of this thesis.

Since nowadays it is better to invest money in something that is connected to technology (mobility, corporate software, industrial technologies, digital health, e-commerce, online events and training, etc.) I decided to consider investing in animation which requires working with computers and developing products there. This unique and genuine idea and a way of developing of the strategy of investment will be described in the thesis to know exactly that it has potential in this particular country - Canada.

Considering practical applications, this thesis may be helpful for such purposes as using the information from it to consider the overall economic situation in Canada or to

get acquainted with the animation market, its specifications and ways to operate there successfully. In addition to this, the example of the calculations that are demonstrated in the thesis can be really helpful to someone who would like to develop their own international investment project by showing what are the requirements for this and what information they should find to make needed calculations.

## CHAPTER 1

### **ECONOMY OF CANADA: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS**

#### 1.1. General characteristics of the development of the Canadian economy over the last 10 years

The economy of Canada is a highly developed market economy. As with other developed nations, the country's economy is dominated by the service industry. The Canadian economy depends on housing and on expanding oil production as a source of economic activity and growth. One of the largest sectors of the Canadian economy is also finance, insurance and management of real estate and companies. Moreover, the country has a free-trade agreement with countries that are included in FTA and NAFTA. Furthermore, the overall investment framework is efficient and transparent. And, of course, being one of the world's richest nations, with a highly sophisticated economy Canada has high standards of living.

In many international ratings that take into account the stability of the political situation and the financial system, the level of per capita income, as well as the conditions for doing business and living in the country Canada is still included in the group of leading countries. The first largest trading partner and the largest recipient of FDI of Canada is obviously the US. The EU is Canada's second largest trading and recipient of FDI and a strategic partner in innovation, science and technology (J.Kirby, 2019). In addition to this, Canada is the 11th largest trading partner and the third largest recipient of direct investment. The largest trading partners of Canada from the EU countries include the UK (32.6% of total turnover), Germany (18.6%), France (9.4%), Italy (8.1%) and the Netherlands (5.9%).

The diagram below presents top 10 countries that had the largest nominal GDP in 2019 (Fig. 1.1). As we can see Canada is included here, although it takes 10<sup>th</sup> position, the country shows particularly good results taking into account that there are 195 countries in the world. Of course, such economic giants as USA and China have really large indicators and therefore, they take leading positions by having the value of GDP

amounted to \$21,43 trillion and \$14,34 trillion respectively, while Canada's GDP was \$1,74 trillion. (The Top 25 Economies in the World, 2021)

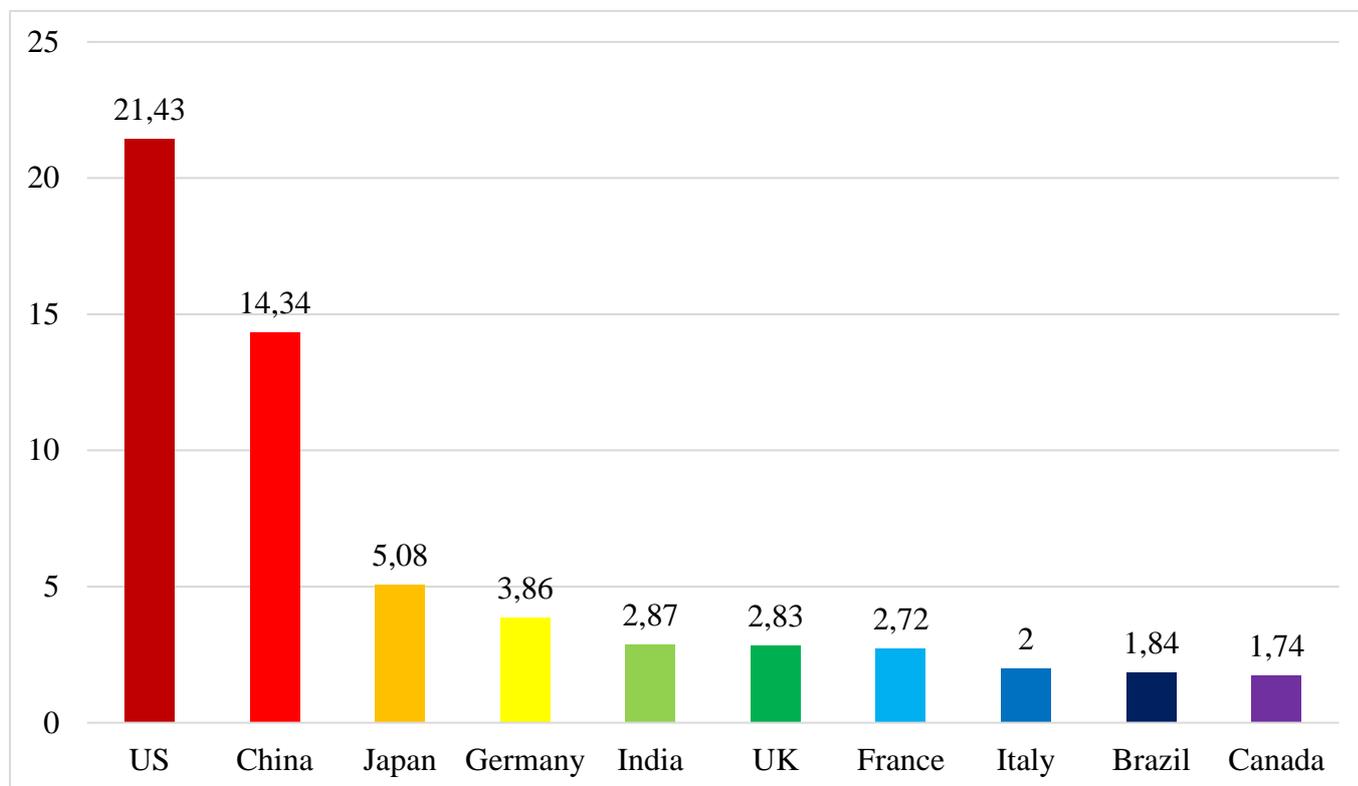


Fig. 1.1. Nominal GDP in 2019 (in trillions \$) – TOP 10 countries

Source: Investopedia (2019)

Canada holds two major positions on the market which are goods and services. There was a deficit in goods trade in the last 5 years, as growth in goods exports was faster than growth in goods imports. That was mainly caused by the upward movement in prices for energy exports. However, the indicators are slightly getting better every year. In global markets, Canada is widely seen as an internationally competitive, energy rich, export-led economy. But that story is long out of date. Two decades of weak productivity, poor investment, exchange rate overvaluation, and strong global competition have taken a devastating toll (Citigroup Global Markets Canada Inc., 2021). Moreover, the country has large deficits in consumer goods, electronic and electrical equipment, motor vehicles, parts combined with notable surpluses in energy products and forestry products, building and packaging materials.

In gross terms, Canada has grown exports by less than any other G7 country, and by far less than the global average. Since 2010, Canada has lost share in all five major categories of U.S. non-energy imports, with Mexico gaining in food and autos, Europe picking up share in other consumer goods, and China the big winner in industrial goods. The Canadian dollar might be cheap compared to where it stood when oil fetched \$100 per barrel, but is not yet cheap enough to allow other exports and related capital spending to thrive.

This graph below contains the comparative line which represents how the value of Canada's GDP has been changing during the period from 2009 to 2019 (Fig. 1.2). According to data published by Statistics Canada, the value of the country's GDP in 2019 amounted to 1,736.43 billion US dollars which is average for the last 10 years. The lowest GDP was in 2009 and was worth 1,371.15 billion US dollars (Statistics Canada: Gross domestic product (GDP) at basic prices, by industry, monthly, growth rates, 2021). Not to mention that it was the second worst indicator for the last 50 years. After this recession in 2010 GDP began to increase rapidly. GDP growth in 2010 was mainly attributable to exports, consumer spending and corporate investment. Furthermore, since service sector generates 72% of GDP in the Canadian economy it constantly helped the country to get back to its strong position. Service workers occupy 75% of all employees. Retail sales in 2010 reached 436.3 billion CAD and increased by 5.7% while wholesale sales reached 534.8 billion CAD increased by 8.4%.

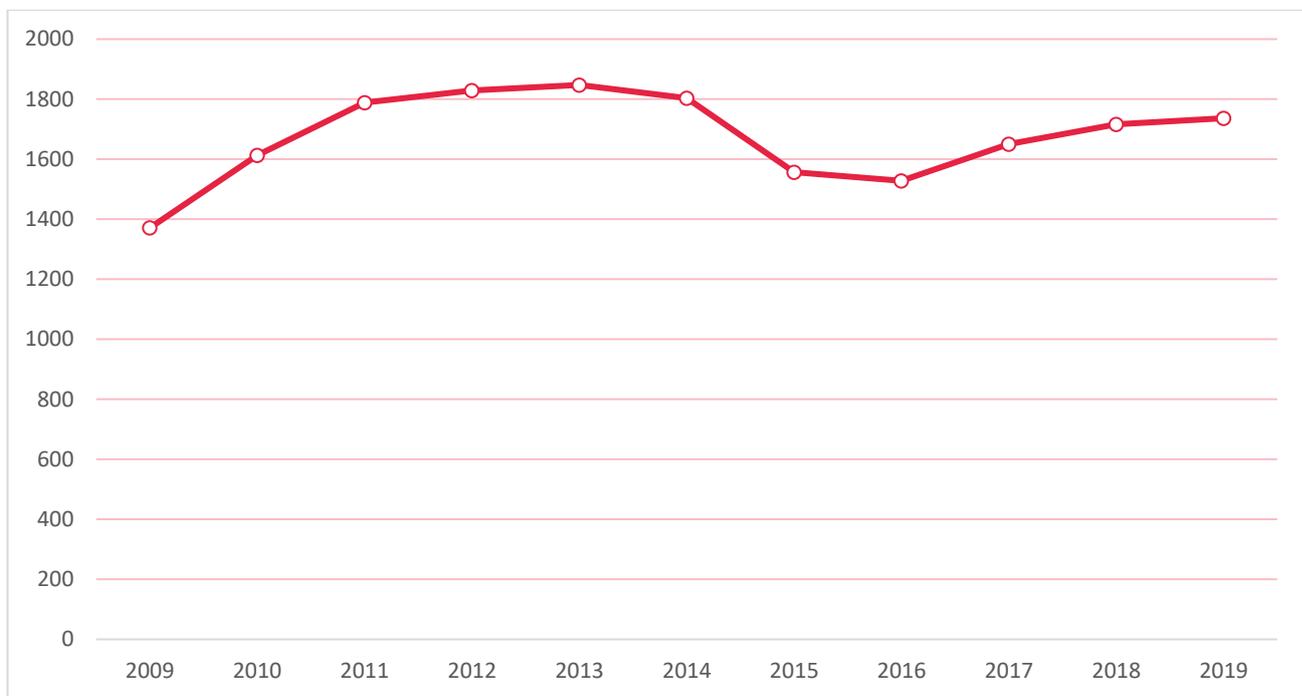


Fig. 1.2. Canada GDP for the last 10 years (in billion \$)

Source: Statistics Canada (2009-2019)

As for the highest GDP for the last 10 years, it was in 2013 and amounted 1,847.21 billion US dollars. Actually, Canada has enjoyed macroeconomic stability since the global financial crisis. Due to a sharp decline in oil prices, current and especially financial account decreased significantly in 2015, with resource-rich provinces being particularly hard hit. The economy started to recover slightly during 2016 and 2017, led by strong private consumption, and performed better in 2018 (Canada GDP | 1960-2019 Data | 2020-2021 Forecast | Historical | Chart | News, 2021). And in 2019 these two indicators increased gradually, comparing to the earlier years, while other components had a weak performance. It is also very important to mention that Canada has had a substantial current account deficit for much of its history reflecting the need for its relatively young and expanding economy to finance part of its investment abroad. It is excessive compared to normal, but still sustainable. The main reason of this deficit is the fact that Canadian assets are being sold to foreigners, who are purchasing them as a form of investment. If Canadian assets are relatively more attractive, they can only be acquired through shifting the financial account into surplus and thus creating a deficit on the current account. It is difficult to determine which of the two motives is primary as they represent two sides of the same transaction.

## 1.2. Features of labor market in Canada

Like other industrialized countries, Canada is experiencing an aging population - a long-standing trend that is reflected in the country's continued reliance on immigration to sustain and further grow its population and economy. This trend is also reflected in the labor market as employment growth occurs mainly in two groups: immigrants of the main working age and Canadians aged 55 and over. From 2016 to 2017 employment in the main working age between 25 and 54 increased by 2.9% of permanent immigrants while among Canadians it increased by 0.7%. An additional increase in employment in 2017 happened from Canadians aged 55 and over by 3.8%. The longer immigrants stay in the country the higher their employment rate is. In 2017 immigrants who have lived in Canada for five years or less had an employment rate of 69.8%, compared to 82.0% for immigrants who have lived in the country for more than ten years.

Immigrants are more likely to work in some industries and less often in others. Although they accounted for 26% of total employment, their share in low-paying housing and food services was 35% in 2017. On the other hand, their share was higher in some high-paying industries such as finance, insurance, real estate, rent and leasing (34%) as well as professional, scientific and technical services (32%). In comparison, 16% of government employees were immigrants. Since the start of the pandemic, the Canadian labor market shrank 3.1% over the year resulting in 600 thousand less vacancies than in February 2020. In total 259,000 jobs were created in February. Most of the new positions are in the retail and residential sectors. In particular, the opening of retail outlets after the quarantine brought 122,330 Canadians back to work. Prime Minister Justin Trudeau called this good news for workers and their families. Ottawa is planning to launch stimulus measures in relation to the labor market which will be announced in the spring budget. Douglas Porter (chief economist at the Bank of Montreal) noted that similar dynamics can be expected from other businesses. If restrictions related to COVID-19 are eased, there will be jobs in restaurants, hotels and entertainment establishments in the labor market. CIBC senior economist Royce Mendes compared February's growth to the first wave of the pandemic. Then the situation on the labor market recovered faster than expected, as companies rapidly began to resume their work. The national unemployment

rate fell to 8.2%, the lowest level since the start of the COVID-19 pandemic in March 2020.

Canada is a country with a high standard of living salaries which allow citizens to live well and be confident in the stability of their well-being. Salaries in Canada vary from province to province. Over the past year, income has increased in all ten provinces, especially New Brunswick and Quebec. As we can observe at the diagram below the highest average income is in Alberta (\$60,632) and the lowest is in Prince Edward Island (\$45,448) (Fig. 1.3). New Brunswick saw the largest increase in 4.7% and the average income there is now \$ 50,128. Quebec takes a second place with a 4.4% increase. (Income of individuals, Canada, 2021)

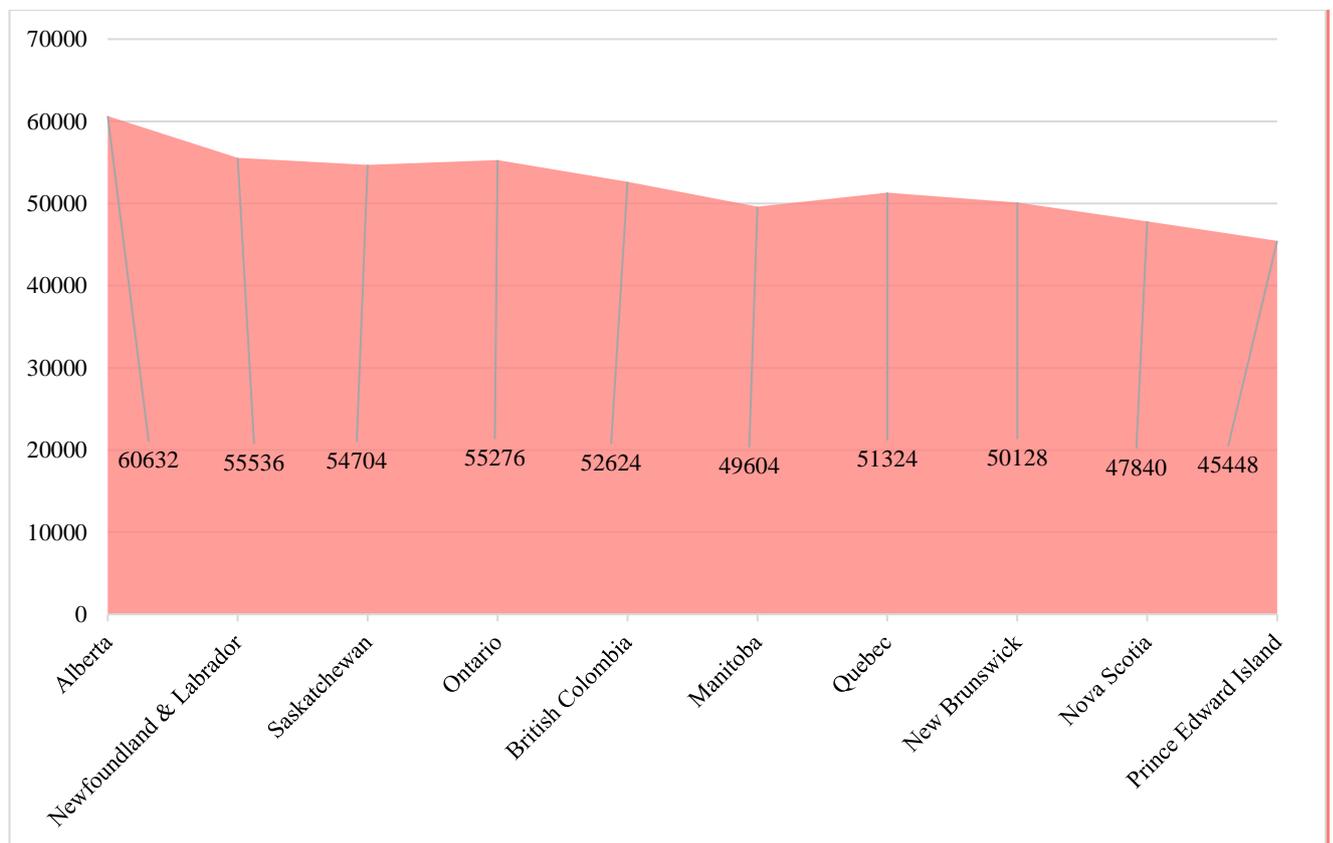


Fig. 1.3. Average income in Canada by provinces in 2020 (in USD)

Source: Statistics Canada (2020)

As for the minimum wage in Canada in 2020, it ranges from \$11.32 per hour (Saskatchewan) to \$16 per hour (Nunavut). The interesting fact here is that beside the fact that these two provinces are located alongside, the wages there differ a lot. In addition to

this, in Canadian labor market the unemployment rate was 13.7% in the last year. An overall working population amounted 18,603,200. And as for the average weekly earnings, they were \$ 1,045.86. The situation with COVID-19 influenced labor market a lot. Canada lost a record 2 million workplace in April 2020 along with 3.1 million Canadians who were affected by job loss or cutbacks in March. And in the following month over 7.5 million Canadians have applied for some kind of federal employment assistance.

### 1.3. The role of Canada among other countries including important details and issues of the economy

The foreign trade regime of Canada is based on generally recognized norms and rules for conducting international trade, developed within the framework of international and regional organizations as well as the provisions of the country's domestic legislation (legislative acts, regulatory documents of state bodies). Foreign economic relations have always played a very important role in the economic development of Canada. In the past few years the dependence of the state of affairs in the country on the state of the world economy and the results of foreign economic activity has become higher than ever.

The Canadian economy is greatly favored by the proximity of the United States and various trade agreements such as the 1965 Canada-United States Automotive Agreement, the 1989 Canada-US Free Trade Agreement and the 1994 North American Free Trade Agreement. With its large reserves of natural resources and a highly educated economically active population, Canada is seizing serious economic opportunities that have allowed the economy to grow rapidly every year.

However, having such a powerful position in the world, it still has some issues that the government has to deal with on a daily basis. It's a well-known fact that Canadians are bearing a lot of debt. Household debt relative to income is close to an all-time-high. Debt growth has been sustained by a falling interest rates that have held down the cost of income debt. This started to change around 2017, as higher interest rates began to push up the cost of income debt. But, instead of moving higher, interest rates have fallen. This has changed the outlook for household debt service costs. Furthermore, under the

'Heavily Indebted Poor Countries' initiative led by the World Bank and the International Monetary Fund, Canada and some other countries have committed to providing comprehensive debt relief to the world's poorest and most indebted countries (World Bank Open Data | Data, 2021). Canada gives billions to other countries. Moreover, it has forgiven debt as part of this initiative and these amounts are treated as capital transfers and as corresponding transactions in the financial account.

Furthermore, the forecasts for the growth of the Canadian economy changed several times for the worse and in the most dramatic way due to the pandemic. Estimates of the decline in GDP at the beginning of the pandemic period were determined taking into account the situation on the labor market: the number of closed jobs, a decrease in the number of vacancies and an increase in applications for unemployment benefits. In March 2020 about one million jobs were closed in the country. The unemployment rate rose to 7.8%, up from 5.6% in February. The largest number of workplaces was closed completely or indefinitely in the field of transport and logistics, information, culture, and entertainment, in the restaurant and hotel business. Before the crisis these sectors of the Canadian economy employed about 2.5 million out of a total of 18 million employed. (Canada, D., 2021)

In spring the public sector of the Canadian economy was not affected by layoffs which stabilized the situation in the labor market. In Canada this sector including government, education, health and social services employs almost 20% of the total number of employees. According to the statistical survey of the labor market for April 2020 a record number of jobs were closed this month - almost 2 million, and in total since the beginning of the crisis - more than 3 million. The number of unemployed in Canada has increased to 5.8 million people. The official unemployment rate in just one month rose from 7.8% to 13%. (Economics Publications | Scotiabank Canada, 2021) Among young people under 25 one in four was forcedly unemployed. In May there were massive layoffs that shocked the country not only economically but also psychologically. The largest national air carrier Air Canada announced the layoff of almost half of its employees (about 20 thousand people). The IMF report says: "The Great Self-Isolation is

becoming the worst economic downturn since the Great Depression and much more severe than the global financial crisis."

To sum up everything that has been stated so far, the economic situation in Canada is remaining quite stable in the last few years notwithstanding pandemic, while the majority of countries are doing their best to hold back the fluctuations in their economy. However, Canada has still got a lot of issues to deal with. As I have already stated above, Canada always lends huge amounts of money to the poor countries and borrows a lot of too in order to fulfill the promises and fund the expenditures that the governments think are for the benefit of the country (Government Debt, 2019). The government claims to be carefully and thoughtfully making decisions regarding expenditures, at this time, but it looks like they have no intention of paying down debt. At least not soon. The debt will probably be increased. However, in the past few years higher interest rates, have helped slow the accumulation of debt by Canadians and cooled the housing market. That is why the government should decrease these actions in order to pay the debt because such country as Canada requires a great amount of money to keep holding a strong position especially during the outbreak of the COVID-19 pandemic. Expanding trade in new directions could be an awesome idea too, because a country cannot always rely on such giants as USA and China, it must have a very powerful economy itself. Especially it would be great if Canada expanded trade with Southeast Asia and with the EU.

## CHAPTER 2

### FOREIGN ECONOMIC ACTIVITY OF CANADA: INTERNATIONAL GOODS AND CAPITAL MOVEMENT

#### 2.1 Export-import activity of Canada

Foreign economic relations have always played a very important role in the economic development of Canada. In the past few years the dependence of the state of affairs in the country on the state of the world economy and the results of foreign economic activity has remained high, despite the fact that pandemic struck a blow to the country's economy.

The pleasant fact is that the Canadian economy is very much favored by the proximity of the United States and various trade agreements, such as the Canada-United States Automotive Agreement of 1965, the Canadian-American Free Trade Agreement of 1989 and the North American Free Trade Agreement of 1994. Possessing large reserves of natural resources and highly educated economically active population Canada is seizing serious economic opportunities, which allows the economy to grow all the time.

Moreover, less than a year ago Canada signed a new agreement with USA and Mexico, which is called CUSMA (Canada-United States-Mexico Agreement). This one is based on the previous NAFTA and was created to strengthen the economies of these 3 countries even more. Another reason was lying in the change of the world system because trade has been influenced a lot by globalization since the 90s. This agreement helped these economies a lot during their recovery from the pandemic and made it even more simple for businesses to operate in the new trade environment. Another one benefit for Canada is that 99% of the exports to the other 2 countries are now duty-free which is supporting growth of export and import activities between the countries now. (GAC. 2021) Since the agreement has been signed, exporting to Mexico and the USA became even more transparent and effective including the new rule by which importers and exporters have to provide only a small piece of the essential information. It must includes the description of the good, the information about exporter, importer and producer, identification and address of the certifier and the rule of origin.

Furthermore, another Multilateral Trade Agreement CETA was signed between Canada and the European Union at the Brussels Summit in 2016. By allowing duty-free export of almost all manufactured goods, reducing the time spent on customs clearance and making the export and import of goods cheaper, faster, more predictable and efficient CETA stimulates the integration of small and medium-sized enterprises into the economies of the participating countries and removes regulatory obstacles by allowing products to pass certification according to Canadian and EU quality standards. (The Balance Business, 2021) As a result, these regulatory rules let both sides to avoid the double-checking of quality of products and reduces costs for both companies and consumers. In addition to the multiple advantages in the trade of goods, the international movement of services is stimulated too, as well as the free access for enterprises to markets is provided and access to public procurement is expanded.



Fig. 2.1. Export and import of goods and services Canada (bln \$)

Source: Statistics Canada (2009-2019)

At the diagram above we may observe how export and import activities of Canada have been changing from 2009 to 2019. As it can be seen the indicators have risen by one

third for ten years for both exports and imports. Moreover, imports have always been quite ahead but the difference is still moderate. There was a slight decrease in 2015 and 2016 due to the high competitiveness of the US corporations on the global market, but starting from 2017 the trade activities of Canada returned back on track (Fig. 2.1.).

Let's now analyze the dynamics of the export activities of the country. If we take 2019 year into consideration, the main export destinations of goods from Canada were the next:

- USA with a share of 75% (\$336 billion)
- China with a share of 3.93% (\$17.5 billion)
- Great Britain with a share of 3.34% (\$14.9 billion)
- Japan with a share of 2.13% (\$9.51 billion)
- Mexico with a share of 1.23% (\$5.51 billion)
- Germany with a share of 1.02% (\$4.57 billion)
- South Korea - \$4.17 billion
- Netherlands - \$3.9 billion
- India - \$3.65 billion
- Hong Kong - US \$3 billion

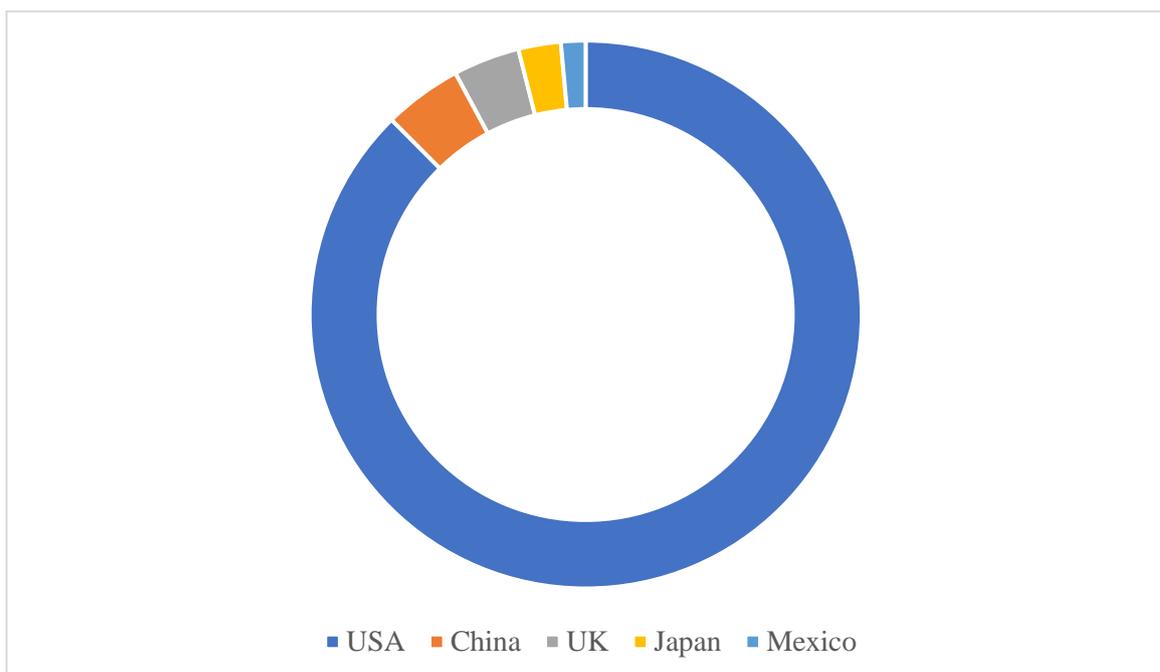


Fig. 2.2. TOP 5 export countries (2019)

Source: (Tradingeconomics, 2019)

If we take a look at the chart above, we can see a proof that the United States is really Canada's main trading partner, accounting for more than half of the country's total trade. In 2019 the US share was 75% and was accounted for \$336 billion (Fig. 2.2.). The main export items to the USA are mineral fuels and oil, automobiles and their components, and industrial equipment. A significant increase is observed in the export of energy resources, in particular, crude oil, the supply of which increased by more than 60%, natural gas - by 18.2%. The decline was noted in the export of the automotive industry. Deliveries of trucks fell by 63.8%, passenger cars by 14.9%, and their components by 22%.

As for the most exported goods from Canada in 2019, the indexes are below:

- 15.2% (\$68 billion): Crude oil and crude oil products
- 9.12% (\$40 billion): Cars and other motor vehicles designed primarily for the transport of people, including vans and racing cars
- 3.52% (\$15.7 billion): Gold
- 2.72% (\$12.1 billion): Oil and oil products obtained from bituminous minerals, excluding crude
- 2.43% (\$10.8 billion): Parts and accessories for motor vehicles
- 2.05% (\$9.18 billion): Petroleum gases and other gaseous hydrocarbons
- 1.65% (\$7.37 billion): Medicines
- 1.48% (\$6.63 billion): Aircraft and spacecraft (including satellites) and space launch vehicles
- 1.42% (\$6.37 billion): Timber

The situation with exports to China is as follows: the main products are oilseeds, fertilizers, and nickel products. Canada's main trading partner among the EU countries is Great Britain. Canadian merchandise exports totaled \$14.9 billion in 2019. Canada's total exports accounted for Great Britain accounted for 3.34%. Precious metals and stones, namely gold, diamonds and nickel continue to be the main export commodities from Canada to Great Britain. Their deliveries in 2019 amounted to 66.8% of the total supply.

Considering the import activities of Canada in 2019 the largest trading partners for the import of goods to this country were the next:

- USA with a share of 50% (\$229 billion)
- China with a share of 12.4% (\$56 billion)
- Mexico with a share of 6.14% (\$27 billion)
- Germany with a share of 3.21% (\$14.5 billion)
- Japan with a share of 2.73% (\$12.4 billion US)
- South Korea with a share of 1.57% (\$7.16 billion)
- Italy with a share of 1.57% (\$7.13 billion)
- Great Britain with a share of 1.53% (\$6.94 billion)
- France with a share of 1.44% (\$6.55 billion)
- Vietnam with a share of 1.16% (\$5.26 billion)

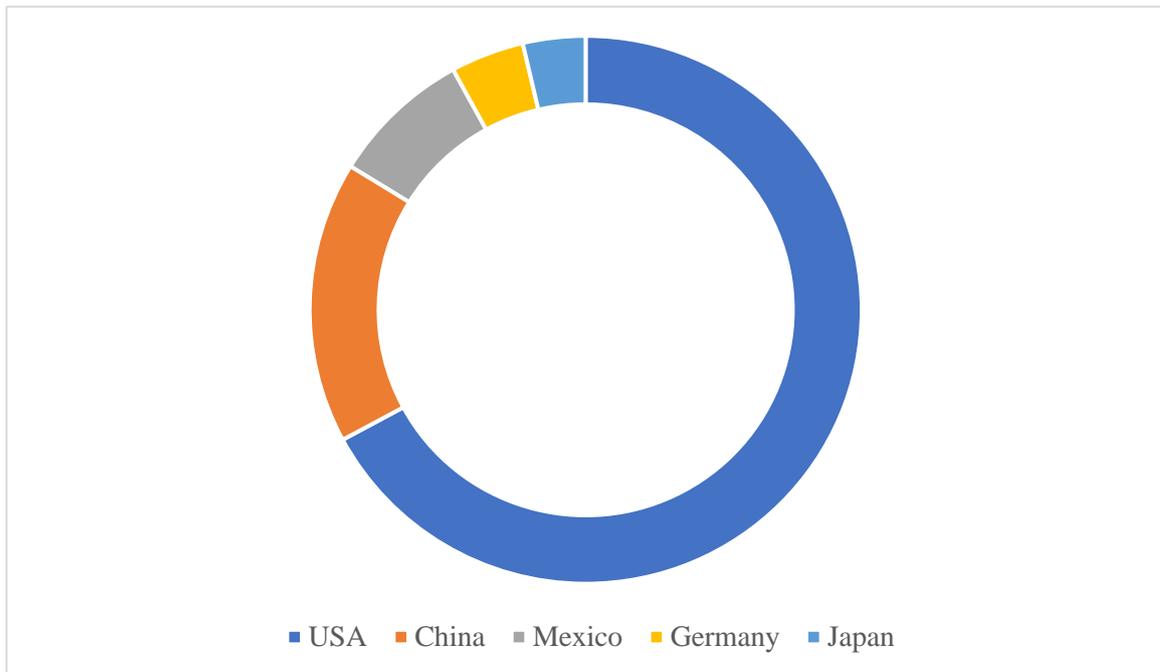


Fig. 2.3. TOP 5 import countries (2019)

Source: (Tradingeconomics, 2019)

As we can observe at the graph above, US goods continue to dominate Canada's total imports. In 2019 total share of the USA was 50%, which is by 25% less than the amount of its exports (Fig.2.3.). Over the past year, imports of oil increased by \$1.8 billion, natural gas - \$1.2 billion, crude oil - \$1.2 billion. Imports of products from the automotive industry decreased significantly (by 12.2%), of which imports of components fell by \$3 billion, trucks - by \$2 billion. and cars - by \$1.2 billion.

While comparing the two charts – 2.2. and 2.3., we can see that imports from China are much more ahead of exports. Most of the imports are mechanical equipment, electrical machinery and equipment, toys and sports equipment.

If we analyze the most imported goods to Canada in 2019, their share will be the next:

- 6.28% (\$ 28 billion): Cars and other motor vehicles
- 4.37% (\$ 19.8 billion): Parts and accessories for motor vehicles
- 3.46% (\$ 15.6 billion): Motor vehicles for the transport of goods
- 3.14% (\$ 14.2 billion): Crude oil and crude oil products obtained from bituminous minerals
- 3.07% (\$ 13.9 billion): Oil and petroleum products obtained from bituminous minerals, excluding crude
- 2.53% (\$ 11.4 billion): Transmitting equipment for radio broadcasting or television; television cameras, digital cameras and camcorders
- 2.34% (\$ 10.6 billion): Computing machines and their units; magnetic or optical readers
- 1.84% (\$ 8.34 billion): Medicines
- 1.37% (\$ 6.21 billion): Turbojet and turboprop engines

Thus, the Canadian economy is too tied to its relations with the United States and the development of the Canadian economy is directly dependent on the state of the US economy. Export and import activities have been impressive in the recent years of the country's performance on a global market.

## 2.2. The scope and main directions of foreign direct investment in Canada

In the past few years, the largest FDI flows have been directed to the fuel and energy complex, the mining and metallurgical industry and the financial sector of Canada, which is not surprising, since the country ranks among the world leaders in the richness and diversity of natural resources, yielding to other states only in some positions. If we take a look at the chart below it provides us with the information about the FDI Confidence Index according to which countries are being ranked on a scale from 0 to 3 based on their attractiveness for foreign direct investments (Fig. 2.4.). A score of 3

represents the highest level of confidence. We can clearly observe that in the previous year Canada was among the leaders according to the indicators. So, Canada takes a second place after the US as it is shown at the graph. The indicators are truly remarkable because the pandemic haven't made them worse if we consider the data from the previous years where Canada was almost always remaining in top countries with the best FDI Confidence Index. (Kearney:FDI confidence index, 2020)

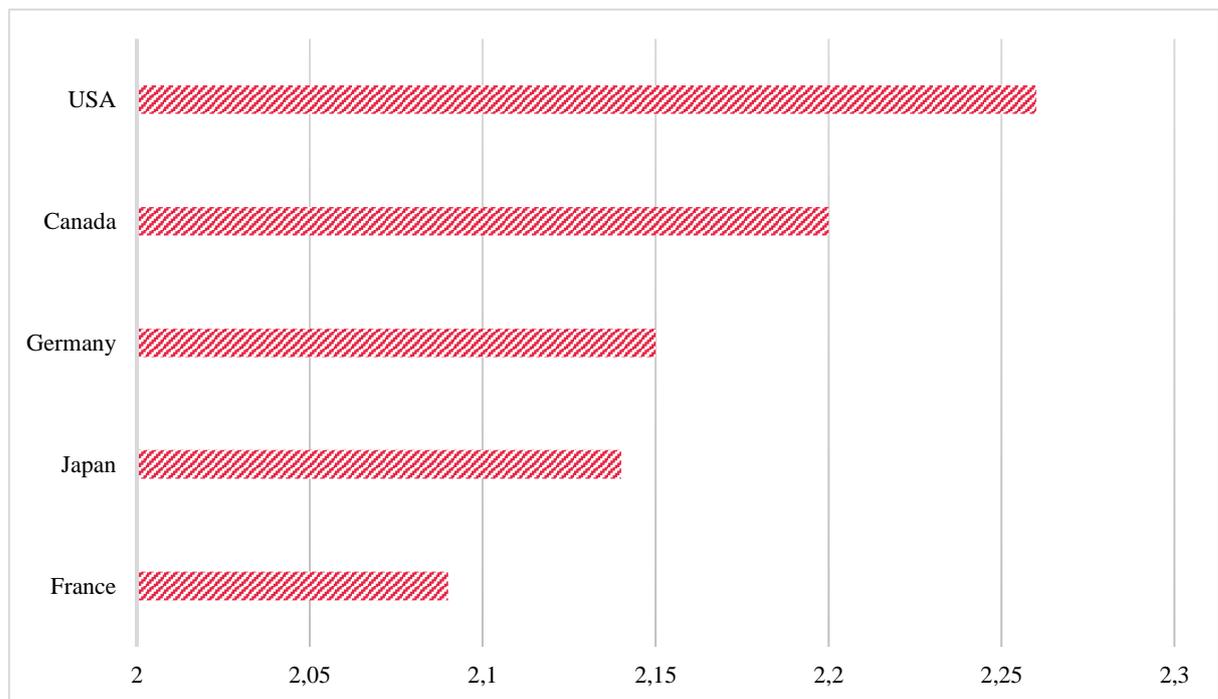


Fig. 2.4. TOP 5 leaders of The FDI Confidence Index in 2020 (a scale from 0 to 3)

Source: A.T. Kearney (2020)

Foreign direct investment is flowing into Canada at levels not seen since oil prices collapsed, a welcome development following years of weakness in the energy sector. After the global financial and economic crisis of 2008-2009 the interest of large investors in investments in real assets has sharply increased. The record for the intensity of mergers and acquisitions, as well as foreign direct investment, was 2012. In 2013, a slowdown in growth and aggravation of financial problems in the global economy led to a decline in these processes. Over the past year, capital inflows from abroad totaled \$65.8 billion, led by the manufacturing sector and services. Over the past 5 years, Canada has required external funding. Most Canadian portfolio investments come from the United States and the United Kingdom. The rapid decrease was in 2016, by 2017 it raised a bit, and then

became stable. Until global uncertainty and trade tensions abate, Canadian firms are unlikely to make major capital expenditures, but at least foreign interest in the country is recovering.

Canada has asserted a right to regulate foreign investment. Even when the new controls are here to stay, a country will continue to need its own terms - foreign capital. It requires a heavy inflow of funds from abroad in order to offset its heavy current account deficit (Santandertrade, 2021). The growth of foreign investment itself is financed not so much by the import of new foreign capital, as by the retained earnings of Canadian affiliates, borrowings on the Canadian market, depreciation and depletion tax benefits and incentives received from federal and provincial development programs.

Since the Canadian government encourages foreign investment, it offers various tax incentives. There are no monetary restrictions or restrictions on the repatriation of profits or capital by foreign investors. However, adhering to the principle of openness to foreign investment, the Canadian authorities subject only a fraction of incoming applications for mergers and acquisitions or start-ups to verification. Three categories of foreign projects are audited: large investments (above a certain threshold), investments in cultural industries, as well as in some industries classified as particularly important from the point of view of national security. Acquisitions of Canadian assets that do not exceed the threshold amount do not require verification unless it concerns cultural heritage or potential threats to national security. However, information on transactions must be sent to the investment department of the Ministry of Sectoral Development. The same requirement applies to any foreign projects that include the creation of new enterprises in Canada (so-called greenfield investment). The indirect acquisition of Canadian assets through the purchase of companies registered in third countries is subject to control if the Canadian share in the assets of the acquired entity exceeds 50%.

Many industries are controlled by federal or provincial laws, but none are completely closed to private investment. Canadian authorities control the number of foreign investors' shares in certain sectors such as air transport, Uranium mining, telecommunications, banking and financial services, insurance, fishing and book publishing. In addition to the federal government, there are restrictions on foreign

ownership of the Canadian province in the following sectors: mechanical engineering, agriculture, alcohol trade, mining, oil and natural gas production and processing, optometry, pharmacy, securities trading.

Tax and non-tax benefits in the form of grants, loans and guarantees for foreign investors are provided on the same terms as for domestic investors. Incentives are not solely focused on attracting the interest of foreign investors, the country encourages investment in all areas (Trade and investment agreements, 2021). Although most often the emphasis is on research, supporting the regional economies of particular regions with high unemployment rates. The obligation to pay taxes in Canada lies with everyone who has a permanent residence in the country. Moreover, according to the law, this applies to all Canadian residents who have lived here for more than 183 days. The most important tax expense for working citizens is payroll taxes. (Agency, 2021) This type of tax directly depends on its amount and can reach 33%, which is considered one of the highest rates in the world. At the same time, in order to pay this amount of tax, you must have an income per year in excess of \$ 214,368. In most cases, for employees, the annual tax is at around 20%.

Canada has a dedicated government agency to encourage foreign direct investment. The Federal Foreign Office and the Department of International Trade, plus there is an Internet service called "Investing in Canada." Canada has an active policy of attracting foreign direct investment through various embassies around the world. Foreign investors rightfully consider Canada as an attractive country with relatively little risk. The local investment climate is quite favorable. The Canadian government is committed to continuous improvement of the environment and to invest in worldwide marketing. During the recent years the conditions for small and medium-sized enterprises are continuously being improved, in particular through investment in research and development.

All in all, such traditional sectors as energy, mining, finance and services are attractive for direct investment. Promising sectors for investment mainly include areas of advanced technology such as pharmaceuticals, biotechnology, nanotechnology, environmental protection, information technology and digital media (Fig. 2.5). However,

these investments are expected to bring measurable benefits to the country and its citizens. Due to the relatively high autonomy of provinces and possible differences in the rules that govern economic activity, foreign investors are advised to pay special attention to the applicable rules in the province before considering investment options. (Canada.ca, 2021)

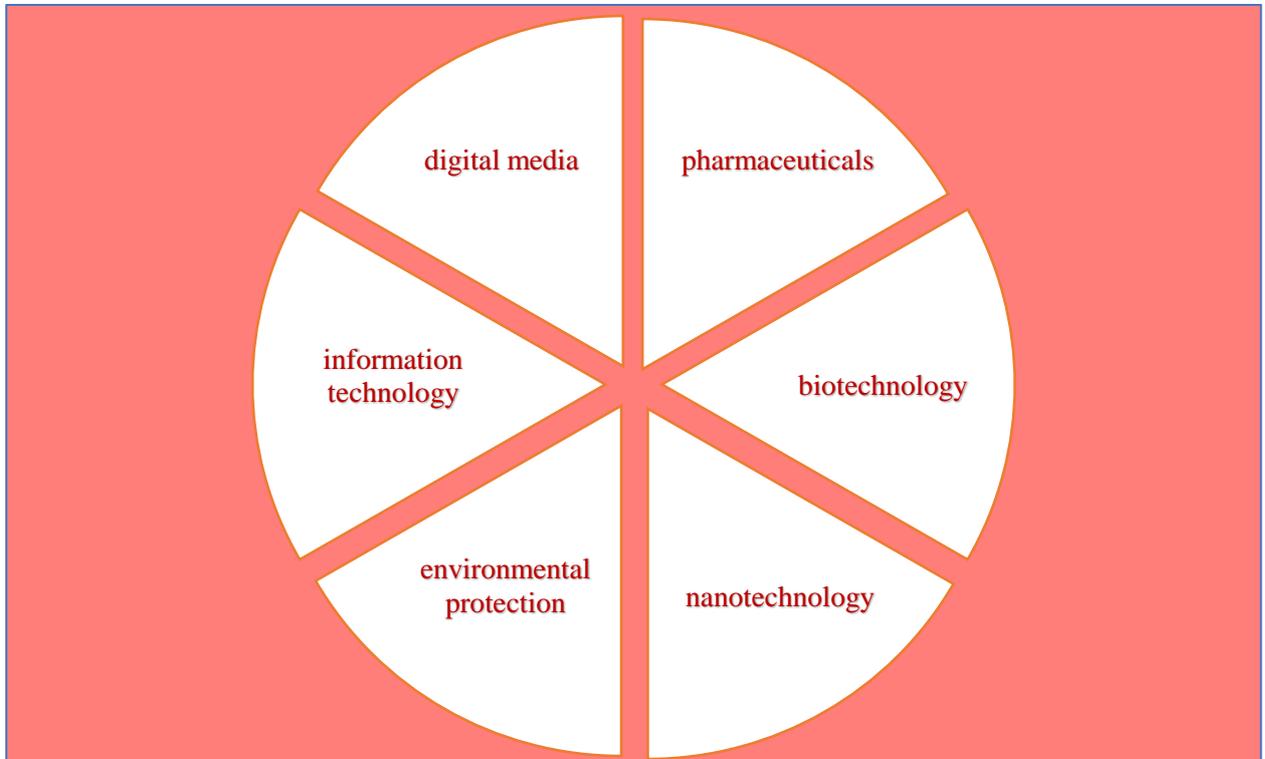


Fig. 2.5. Promising sectors for investment in Canada

Source: Invest in Canada (2020)

Unfortunately, the outbreak of the COVID-19 pandemic has caused a decline in FDI flows to developed economies of between 25 and 40 per cent. Falling corporate profits had a direct impact on reinvested earnings which is a major component of FDI. New equity investments had to be curtailed, as already reflected in the decline of cross-border M&As and announced greenfield investments in the first quarter of 2020. FDI trends were also affected by COVID-19-related emergency measures, including increased scrutiny of inward investment (Global pandemic: How Canada is rising to the challenge, 2021). An expected push to improve supply chain resilience in critical industries also used to affect longer-term trends. For instance, in 2019 after three successive years of contraction FDI inflows to developed economies rose by 5 per cent, despite weaker macroeconomic performance and policy uncertainty for investors, including trade tensions and Brexit. FDI to North America remained stable though.

Investment by MNEs from Canada also jumped by 54 per cent, owing to a tripling of equity outflows to \$39 billion. Among the largest deals were the acquisitions by Brookfield Business Partners (Bermuda) and Caisse de Dépôt et Placement du Québec (Canada) of the Power Solutions business of Johnson Controls International (United States) for \$13 billion. On 18 April 2020, Canada announced “enhanced scrutiny” of any FDI in a business that is critical to the pandemic response. This measure was a reaction to “opportunistic investment behaviour” caused by declines in valuations of Canadian businesses as well as by investment of State-owned enterprises that could threaten the country’s economic or national security interests. The government decided that this new policy will be applied until the economy recovers from the pandemic.

### 2.3 Analysis of Canada’s investment climate

For investors Canada has enormous potential where business can achieve real excellence. This is due to a number of features and advantages of the Canadian economy at the present time. The overall investment framework is efficient and transparent. And, of course, being one of the world’s richest nations, with a highly sophisticated economy Canada has high standards of living. In terms of GDP it ranks tenth in the world ranking. The country's economy and financial system have demonstrated high resilience in the face of the global financial and economic crisis and increased turbulence in the post-crisis period. This is evidenced by the main indicators characterizing a more prosperous situation in the Canadian economy and social sphere in comparison with other leading market countries.

Canada has recently been considered one of the most attractive countries in terms of investment by international economic organizations. As the data in the graph below shows Canada ranks 3<sup>rd</sup> in terms of starting a business (Fig. 2.6). Moreover, Canada made starting a business easier by making it possible to complete registration processes online in 1 simple procedure. The country is also good at Paying Taxes by making this process easier and less costly for companies by reducing profit tax rates, eliminating the Ontario capital tax and harmonizing sales taxes. Furthermore, taking the 7<sup>th</sup> place in Protecting Minority Investors it shows that it is worth investing there. While Canada takes only 100<sup>th</sup>

place in Enforcing Contracts it made enforcing contracts easier by introducing an e-system that allows plaintiffs to file the initial complaint and pay court fees electronically. (Doingbusiness.org., 2021)

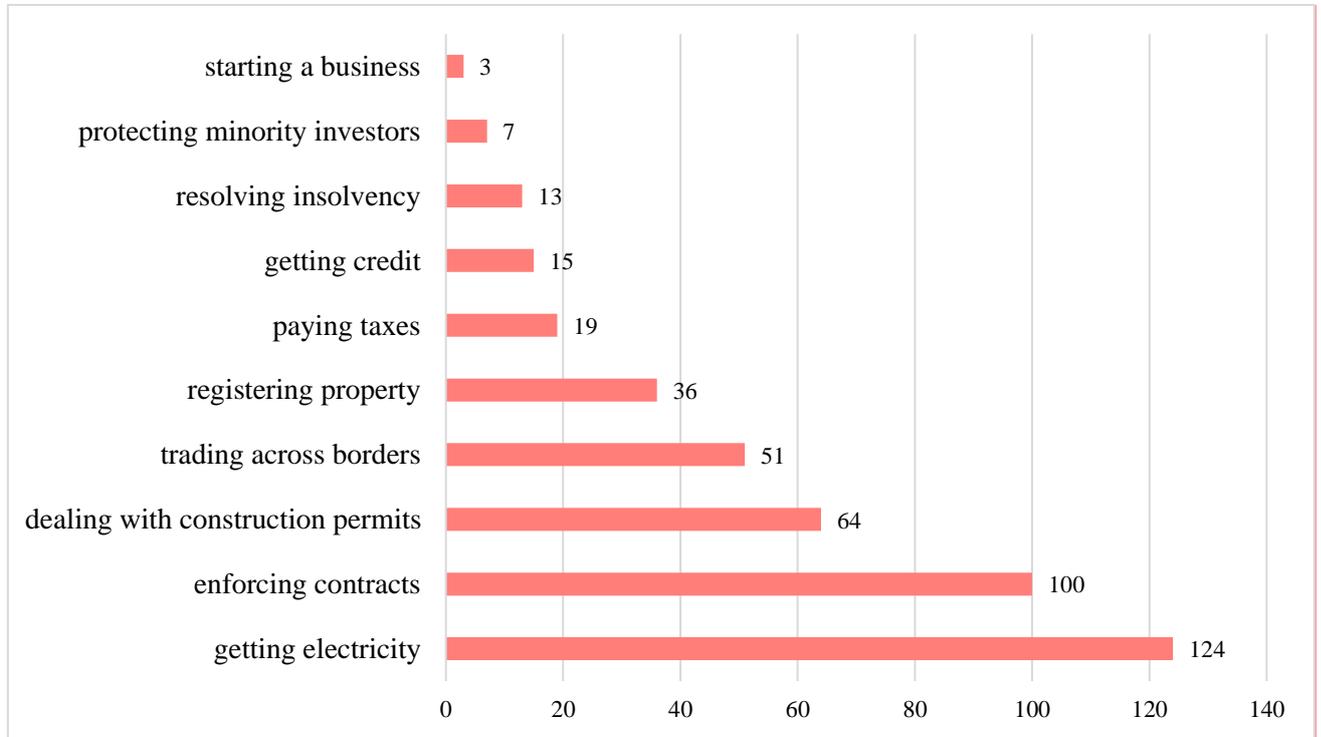


Fig. 2.6. Rankings on doing business in Canada

Source: Doing Business (2020)

Canada's advantage at the current stage of development lies in the following:

1. More dynamic development of the economy among all 25 developed countries of the world and resilience in relation to global financial crises.
2. One of the strongest banking sectors in the world.
3. The best financial situation in the G7 countries.
4. Low taxes in relation to not only small but also large businesses.
5. Easy availability of loans from Canadian banks for all forms of entrepreneurship.
6. Stability of real estate prices and a stable level of inflation among the developed countries of the world.
7. High level of economic freedom for independent entities in the national economy of Canada.

All the above-mentioned aspects show that Canada is not only among the countries of the G7, but also among the developed countries has a high international rating. This is evidenced by the fact that even after a protracted crisis around the world the inflow of investors to Canada increased by 15-20%.

Though the exchange rate in Canada fluctuates, the system is really flexible. The largest determinant of the Canadian dollar's exchange rate is the oil price. The floating exchange rate helps to protect the Canadian economy from shocks caused by sudden changes in oil price dynamics. But the exchange rate is also influenced over the longer term by Canada's economic performance relative to its trade partners. Canada has a target for inflation that aims to preserve the domestic value of the Canadian dollar, it cannot also have a target for its external value. So, there is no fixed value for their currency in terms of any other. The exchange rate floats and is determined by the demand for and supply of Canadian dollars in the foreign exchange market (Bankofcanada.ca.:Currency, 2020).

In February 2021 consumer prices in Canada increased by 1.1% compared to February 2020 after increasing by 1% in January according to data from the country's Statistics Office. Prices increased by 0.5% against the previous month. Experts are expecting the first indicator to grow by 1.3% and the second - by 0.7%. Excluding energy sector, the annual inflation was 1%. Prices on food increased by 0.4% in February and by 1.8% in annual terms. Clothing and footwear rose 0.9% over the month and fell 4.8% over the year. Transportation costs rose by 1.5% MoM and 2.2% YoY. Housing prices increased by 0.3% and 1.4% respectively. Gasoline prices jumped 6.5% in February and 5% in a year. As noted by the statistics department, gasoline prices on an annualized basis rose for the first time since February 2020. (Consumer Price Index: Total, All Items for Canada, 2021)

When considering making an investment abroad it is also obligatory to know deposit rates there. That's why I have done the research and found out which banks in Canada have the best deposit accounts. (Banks in Canada, 2021) For an illustrative example, I took the term of attraction 5 years (Table 2.1.). As we can observe down below the table shows the most attractive deposit rates that banks offer (currency – CAD).

Although, all of them have more or less the same deposit rates, some are more attractive and can be very beneficial for the investor.

*Table 2.1.*

<b>Bank</b>	<b>Deposit rate</b>
Meridian credit union	3.50%
Laurentian bank	3.30%
HSBC canada	3.20%
CFF bank	3.17%
Versa bank	3.12%
Alterna savings	3.10%
Canadian western bank	3.10%
Manulife bank	3.05%
B2b bank	3.00%
Tangerine	3.00%

Table 2.1. Deposit rates in Canadian banks

Source: Banks' websites (2020)

The situation with taking a credit is quite good, taking into account that Canada takes 15<sup>th</sup> place in the world by this indicator. The most optimal variant for the investor is to consider loans with a down payment of less than 20% which are called High Ratio loans. According to Canadian law such mortgage loans must be insured with one of three insurance companies. The premium varies from 0.60% to 4.50% of the mortgage amount, but the debtor won't have to look for an additional 4.50% to pay for the insurance itself. The insurance premium will be added to the principal debt on the loan and broken down over the entire amortization period of the loan. This insurance protects the Canadian lender (bank) from non-payment of the loan. Loan interest rates in Canada depend on many factors and each bank and lender provides different numbers. However, since 2009 the interest rate in Canada have been in the range of 2.5% - 5.5%. (Loans Canada | Personal Loans and Bad Credit Loans, 2021)

## CHAPTER 3

### DEVELOPMENT OF INTERNATIONAL INVESTMENT PROJECT AND ASSESSMENT OF ITS ATTRACTIVENESS

#### 3.1. Analysis of the animation market in Canada

The service sector is one of the most promising, rapidly developing sectors of the economy. Almost all organizations provide services to some extent. A global animation market averages one million US dollars. Key players are the well-known studios Walt Disney, Warner Bros. Cartoons, Pixar Animation Studios, DreamWorks Animation SKG, Studio Ghibli and Blue Sky Studios. (ScreenRant, 2021)

Canada is undoubtedly one of the best places to study to become a CGI (computer-generated imagery) expert. If we look up the schools that specialize only in teaching children and teens animation, then there are no such schools in Canada at all. Basically, children are given only general knowledge during the computer science lessons in schools, which is not enough if the child wants to make animation in a serious way. This applies to everyone under the age of 17, when there is already an opportunity to enter a college or university for a specialty related to animation. There are not too many such educational institutions, but they are very popular. For example, the best of them are The Art Institute in Vancouver, Humber College Institute of Technology & Advanced Learning and Seneca College Toronto. (Shiksha.com, 2021)

Furthermore, it is obligatory to know that Canada is not the cheapest country and, in most cases, animators ask for quite big amounts of money for their work. Historically there were not many animation studios and their own projects in the country. But, as mentioned earlier, there is a good education, universities that prepare specialists at a high level and there is also a rather mild migration policy in comparison with America, which allows animators from all over the world to move in Canada. Moreover, the industry of animation, cinema and visual effects is a driver of economics and workplaces. Taken together, these factors created a strong animation community in the country, which turned out to be willing to outsource high-quality projects that require strong animation. However, there was noted a huge deficit in specialists. Animators, 3D modelers and managers who specialize in this sphere are in demand in Canada. For example, at the CG

Event conference in 2017, a survey was conducted among the general directors of what position will be demanded through years. All agreed on the opinion that it is an animator. (CG-event conference, 2021) Perhaps it is necessary to start enlightenment with the producers and directors of the studios and explain to them how much time has to be spent in order to raise a powerful 3D animator. Therefore, our main task is to help children from a young age to develop the necessary skills in order to subsequently be able to quickly grow to a high professional level and create cool projects.

### 3.2. Substantiation of the investment project for the creation of children's animation center, assessment of the need for investment resources and identification of sources of their involvement

A curriculum aimed at the all-round development of the child's personality was developed and thanks to the use of author's animation techniques, the effectiveness of teaching the visual arts increases as well as spatial thinking, a sense of color and composition. During the studies at our center, the child will master the entire technological process of creating a full-fledged video. At the end of the training, all who successfully defended their work will be issued a certificate of completion of the animation school, which will certainly help children and adolescents in the future to enter a university or college for the specialty of animation or simply work as a freelancer in this area. In addition to training sessions, the animation studio will provide services for the creation of commercial and social advertising videos, presentations and other animation products.

The risk of this international project is low due to the multiple facts. Firstly, Canada has a very good political performance and tends to be one of the most peaceful countries in the world. Secondly, it is in a great legal position when the government provides new startups with different kinds of support and guarantees. The criminogenic risk is also very low here because the country has a low rate of theft of properties, bribery and fraud of investment are very close to impossible because almost all businessmen and investors in Canada are reliable and trustworthy.

However, there are some other risks that may arise during the implementation of this project. Among them are credit and currency risks. The first one involves the

probability of being unable to repay debts for loans. It can occur if there will be any inconveniences in the performance of the animation center. The currency risk is less likely to occur, but it is still important to consider it because the exchange rates in Canada can fluctuate when being influenced over the longer term by its economic performance relative to its trade partners. Therefore, it would be a wise decision to take a secured credit which will be used for investment and other loans. In this case, security deposit shall guarantee to cover the possible losses from default on the loan the lender. These may include inflation, liquidity, collateral, its depreciation and additional costs associated with the implementation. Our choice settled on the Canadian Western Bank. The particular reason for this is that this bank is at the top 10 banks in the entire country and has one of the best deposit rates (3.10%) and it is really reliable and popular among the foreign investors because it has got special offers for such clients. Furthermore, before the implementation of the project it is obligatory to purchase an insurance to avoid losses that might arise. Oaken Financial may be the best decision for this purpose. They require a minimum deposit of \$1,000 and pay out interest annually. (Oaken Financial, 2021) The current rates are the next: 1-year: 1.40%; 2-year: 1.50%; 3-year: 1.60%.

Now let's consider a very important analysis that must always be done before the implementation of any project. It is 4P - a foundation model for businesses, historically centered around product, price, place, and promotion, which includes a set of marketing tools that the firm uses to pursue its marketing objectives in the target market. The only thing is that in this analysis, instead of the price, we will consider people, since we will consider price indicators in the financial section.

#### 1) People

Potential consumers of our services are the residents of Waterloo in the short term and the entire province of Ontario in the long term. An expedient place was key in making this decision because most of the people in the area are families with children and teenagers preparing to go to college or university. The description of the potential client will include the next:

For the student it has to be a child from 7 to 17 years who goes to school, has a creative mind, is interested in animation and lives in the province of Ontario.

For animation studio employees it has to be an adult aged 22-55 years with a sufficient experience in animation, is an active Internet user, sociable, respectable, purposeful, creative and also lives in the province of Ontario.

## 2) Place

Despite being significantly smaller than other cities in Canada, Waterloo is considered one of the best startup ecosystems in the country. The city has a solid startup population outside of Silicon Valley and over 1,000 startups with a population of 100,000. It is independently estimated that there are about 280,000 college-educated technicians in the city compared to the 380,000 residents across Silicon Valley. (Dreamsofcanada.com. 2021) Unlike larger cities which often have a harsher business environment, in Waterloo the growth and development of tech startups take place in an optimal way. While local projects seek to support each other on their own, the government also continues to support startups in the area. The City Innovation Center Communitech was formed jointly by government, corporations and individual companies and offers startups significant financial and expert resources and assistance. (MIT Technology Review. 2021)

The animation center will be located in the heart of Waterloo at 93 Bridgeport Road E. The place has an awesome location with a very favorable price - \$520 per month. (Realtor.ca. 2021) For this region the price is more than excellent. To be clear, this is a separate building made from bricks with 1 floor. There are 6 average-sized rooms with a total space of 150 square meters. There is also a parking place for 10 cars, the building is equipped with municipal water, central air conditioning and heat. Insurance is already included in the price. This area is surrounded with elementary and high schools which is awesome due to the fact that we will be nearby to our target audience. Moreover, 45% of households in this area are with children.

### 3) Product

The animation school will provide educational services to children and adolescents in drawing animated cartoons, computer games and other animation. As for the studio part, their task lies in creation of animated commercial and social videos for the sale (it is also possible to create banners, websites, logos, corporate style, etc.).

The attributes will include: individual approach, work on quality equipment, experienced qualified professionals, a full-fledged site with a forum and a blog where you can get acquainted with the portfolio and reviews about the animation center and a high quality in a short time.

### 4) Promotion

In general, two most effective ways of promotion are the next:

Mutual PR that is very beneficial and also money saving. We consider various children centers for exchanging the posters of each other's organizations. This option of promotion can also include having business cards of each other in the workplace. Such idea is awesome due to the fact that such kind of companies have the target audience we are looking for and vice versa.

Promoting the animation center on Facebook through thematic communities related to kids and education. There is a way of promoting there if we post and share some information about our center through these communities and if it will be not enough, we always can buy advertising there. There is also another scalable way to promote on Facebook - targeted advertising. There are algorithms that recognize audience behavioral patterns and find similar audiences work much better.

The last factor to take into consideration is connected with the market segmentation. After concluding a SWOT analysis of the animation center, the next results were identified and presented in the table 3.1 which is below.

Table 3.1

Strengths	Opportunities
<ul style="list-style-type: none"> <li>• Individual approach</li> <li>• Demand for the service and high interest in it</li> <li>• State support</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration with many organizations to provide animation services</li> <li>• Expansion of the range of services - increase in profits</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>• High costs</li> <li>• Minimum number of clients in summer</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of resources for project implementation</li> <li>• Lack of financial resources</li> </ul>

Table 3.1. SWOT analysis of the project

### 3.3. Estimated income calculation and assessment of the economic attractiveness of the investment project

First of all, I would like to clear the situation with the prices for the services that our animation center is going to provide. Based on the analysis of the prices of such organizations in the Western part of the world we have determined the approximate price of the services of our animation center ‘Neverland’.

The lessons in our center will cost \$300 per month. It will include 8 lessons of 1,5 hour each. By the next academic semester, the cost will be increased. As for the animation video it will cost \$2500 for every 5 minutes of animation. This is the minimum price for a high-quality animation video in this region. However, the price for this kind of animated videos will also be increased within our price segment.

We expect that approximately 10 children will join the animation school when we open. The effective marketing takes a leading role in the process of attracting the customers here. In the summer months, the number of students will most likely decrease

to approximately 30% which is confirmed in practice because of the summer holidays. In September and October when the school starts it is planned to carry out an additional enrollment of students for the second stream of education because during this period there is a sharp increase in those wishing to join some courses like ours.

Unfortunately, the number of children who can study at the animation center is limited by the space, equipment and the availability of teachers. Nevertheless, by the end of the second year of the project implementation, it is planned to increase the number of student flows to 4. Furthermore, if the project pays off faster than planned it is possible to rent additional premises and hire more teachers to create more groups.

As for the service of creating animated videos, we expect to begin with at least 5 orders in the first months of our activity. However, due to the fact that there is a very high demand on such kind of animated videos that we are going to offer, there will probably be a sharp increase in orders. In addition to this, there is always a steady growth in orders during the upcoming holidays. The growth of orders is going to be accompanied by a slight increase in prices, which occurs within the selected price range - the minimum price for a 5-minute video is \$2,500 and the maximum price is \$3,000.

Finally, all the other calculations that are needed to implement this project are below. At the first chart, a very important data is demonstrated which includes all the requirements for an investment project. (Table 3.2) They include rent of the office, its deposit, costs that are needed to register a company, expenses for advertising as well as headhunter and legal consultation expenses. Luckily for us, we don't need to pay for the creation of the website of our animation center because the specialists are already in our team. Then, we must take into account expenditures for equipment that can be easily founded on the Internet. For our animation center we require computers, desks, chairs, some stationary, furniture and electronics to operate.

## Investment requirements

Table 3.2

№	Name	Amount (in USD)
1	Rent 1 month	520
2	Office Deposit	175
3	Registered name of the company	25
4	Registration of company	200
5	Website creation	0
6	Advertising expenses	8,500
7	25 computers (\$850 each)	21,250
8	25 chairs (\$57 each)	1,425
9	25 desks (\$90 each)	2,250
10	Fridge	240
11	Printer	119
12	Microwave	106
13	Kettle	32
14	Pens, pencils, erasers, etc.	585
15	25 cups (\$8 each)	200
16	5 rubbish bins (\$9 each)	45
17	40 hangers (4 packs of 10 x \$2.84 each)	11.4
18	3 wardrobes	375
19	Sofa	108
20	Wi-Fi router	124
21	Bookcase	133
22	Redecoration of the office	6,850
23	Legal consultations	2,700
24	Headhunter expenses	2,000
	Total	47,973.4

## Expenditures

After the main details for investment project have been calculated, it is obligatory to find out how much money you have to pay to the employees of the educational center.

The job positions will include the director obviously, whose responsibilities will include maintaining the well-operating working environment and being responsible for the whole operating system of the animation center. Then, there will be a marketer because the project really needs a great promotion strategy to become successful. Obviously, we need animators and editors who will be responsible for creating animated videos and teachers to have classes with children. The next table includes the information about employees and their wages that are based on the particular job and the average wages in Ontario province.

*Table 3.3*

	Job position	Number of people	Wage, USD/month	Total, USD/month
1	Director	1	4,100	4,100
2	Marketer	1	2,750	2,750
3	Animator	3	2,880	8,640
4	Teacher	2	3,140	6,280
5	Editor	2	2,600	5,200
	Total payroll:	9		26,970

When we are done with the wage calculation, it is very important to add the social security payments that every employer must pay in order to calculate payroll costs. In Canada Employer Payroll Tax includes Quebec Pension Plan contributions (5.7%), Canada Pension Plan contribution (5.25%) and Employment Insurance contributions (2.2%), which in total will be 13.15%. (Oecd.org. 2021)

Total payroll with social security payments (13.15%):  $26,970 \times 1.13 = \$30,476$

The next step in calculations is counting all the expenditures that will be during the implementation of international investment project. To do this, we have to sum up all the expenses for a month and multiply them by 12 because of the quantity of the months in a year to find out how much we are going to spend. The main expenses include salary of the workers, rent, costs for stationary and for accounting outsourcing. It is very important not to forget about the communal payment. For instance, in our case we have to pay for

electricity, water, Internet and litter services. The price is written in accordance with the rates in the province Ontario. Moreover, while considering what expenses could also be, an investor has to think of other possible ones that might occur during the implementation of the project in order to have enough saved money to cover them too if there will be a necessity in it. The last, but not least remark here is to add depreciation charges to the expenses because we are going to use equipment which has the property to get out of order over time.

*Table 3.4*

		Amount (USD)	Data
1	Salary	30,476	Monthly
2	Communal payments including: \$46– water; \$148 – electricity; \$7 – Internet; \$2 – Litter	203	Monthly
3	Basic products	160	Monthly
4	Rent	520	Monthly
6	Other costs	230	Monthly
7	Accounting Outsourcing	635	Monthly
8	Depreciation	418	Monthly
	Total	32,642	Monthly
	32,642 x 12	391,704	Yearly

#### Depreciation

*Table 3.5*

25 computers x 5 years	21,250	4,250
25 chairs x 5 years	1,425	285
25 desks x 5 years	2,250	450
Printer x 5 years	119	24
Kettle x 3 years	32	11

Total = \$5,020

The last part of calculating the expenditures is to make predictions for the next three years of the operating the investment project. Therefore, we estimate the approximate amount of the expenses for the whole year by using the same indexes as in the third table. After that we are adding them and we get the total expenditures we are going to have in the following years.

*Table 3.6*

Expenditures(in USD)	Year		
	2021	2022	2023
Salary	365,712	548,568	731,424
Communal payments	2,436	2,848	3,652
Basic products	1,920	2,760	3,850
Rent	6,240	6,780	7,530
Other costs	2,760	3,920	5,230
Accounting Outsourcing	7,620	8,240	9,510
Depreciation	5,020	5,020	5,020
Total	391,708	578,460	766,216

#### Estimated revenue

The next part of calculations will include estimated revenue which is obligatory to calculate in order to find out if business activities and performance on the market will be profitable and wise to implement. Therefore, we must create as close predictions as possible to estimate it precisely. As I have already mentioned, our main sources of income will include the services of providing classes where children and teens are going to learn about animation and creating animated videos for different purposes by our animators and editors. The calculations are also made for the next three years in order to see if the business is evolving and makes profit. By doing this, we may also clearly see the approximate dynamics of the business activities of the project. At the end we simple count the total revenue for the year.

## First year

Table 3.7

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
№ of students	10	10	25	25	25	20	20	20	35	35	35	35
Videos	5	5	8	8	8	10	10	10	15	15	15	15
Price of classes	300	300	300	300	300	300	300	300	350	350	350	350
Price of videos	2,500	2,500	2,500	2,500	2,500	2,800	2,800	2,800	3,000	3,000	3,000	3,000
Center revenue	3,000	3,000	7,500	7,500	7,500	6,000	6,000	6,000	12,250	12,250	12,250	12,250
Video revenue	12,500	12,500	20,000	20,000	20,000	28,000	28,000	28,000	45,000	45,000	45,000	45,000
Total revenue	15,500	15,500	27,500	27,500	27,500	34,000	34,000	34,000	57,250	57,250	57,250	57,250

Total revenue in the 1<sup>st</sup> year = \$444,500

## Second year

Table 3.8

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
№ of students	35	35	45	45	45	20	20	20	50	50	50	50
Videos	15	15	15	15	15	15	15	15	15	15	15	15
Price of classes	350	350	350	350	350	350	350	350	400	400	400	400
Price of videos	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Center revenue	12,250	12,250	15,750	15,750	15,750	7,000	7,000	7,000	20,000	20,000	20,000	20,000
Video revenue	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total revenue	57,250	57,250	60,750	60,750	60,750	52,000	52,000	52,000	65,000	65,000	65,000	65,000

Total revenue in the 2<sup>nd</sup> year = \$712,750

## Third year

Table 3.9

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
№ of students	50	50	60	60	60	30	30	30	60	60	60	60
Videos	18	18	20	20	20	20	20	20	20	20	20	20
Price of classes	400	400	400	400	400	400	400	400	400	400	400	400
Price of videos	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Center revenue	20,000	20,000	24,000	24,000	24,000	12,000	12,000	12,000	24,000	24,000	24,000	24,000
Video revenue	54,000	54,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Total revenue	74,000	74,000	84,000	84,000	84,000	72,000	72,000	72,000	84,000	84,000	84,000	84,000

Total revenue in the 3<sup>rd</sup> year = \$952,000

As it can be seen, at the first year of the implementation of the international investment project, there probably will not be significant revenues due to the fact that we are the newbies on the market and we haven't gained our target audience yet. However, over time we are very likely to gain a lot of customers because of the unique services that we are willing to provide and effective marketing. Consequently, starting from the second year when both the quantity of our students and orders will rise, the same is going to happen with the revenue of the center. The slight increase in price in the beginning of every academic semester will also help us to earn more money and develop the further upturns of the educational and animation activities.

The last but not least part of calculations includes assessment of the effectiveness of investments that are going to be made. For these ones, it is obligatory to use up-to-date taxes and rates such as inflation and interest. We are also making an estimation for 2021,2022 and 2023. At first, we have to include the total amount of investment (Table 3.2) that is going to be the start of the whole project to compare it to the other indicators. Secondly, we include the revenue of the sale which we have done at the previous section (Table 3.7, 3.8, 3.9). Thirdly, we add expenditures that we have already calculated too

(Table 3.6). After we have done this, we have to find out the profit before taxation. To do this we simply subtract expenditures from revenue. Then, we have to find out the income tax that every employer must pay to the government. In Canada every province has different rates and the exact share you have to pay depends straight on the amount of money that the company earns. In our case, the income tax will be 17% and now we can calculate how much money our company is going to give to the government every year. (Tax Rates in Canada, 2021) Finally, to calculate net profit it is obligatory to deduct the money that will be paid for the Income Tax from profit.

*Table 3.10*

Indicators (in USD)	Year			
		2021	2022	2023
Investment	47,973.4	-	-	-
Revenue of the sale	-	444,500	712,750	952,000
Expenditures	-	391,708	578,460	766,216
Profit before taxation	-	52,792	134,290	185,784
Income Tax 17%	-	8,975	22,829	31,584
VAT 5%	-	22,225	35,638	47,600
Net profit	-	21,592	75,823	106,600

The situation is very close to the one we had when we calculated the revenue, since the first year will not bring us a lot of money. Luckily, the second and third year are going to become quite successful in a story of the implementation of the investment project even if the Income Tax will take away a bigger share, the profits will exceed them a lot more.

#### Discount rate

Furthermore, the calculations of discount rate and discount index are needed in order to estimate income of future periods based on today's value of money. To do that we have to find out what are the inflation rates in Canada this year. (Rateinflation.com. 2021) Moreover, if we are examining the three-year period of implementation of investment project, we have to look for predicted inflation rates for those years too. Interest rate in the particular country and risk also are figuring here.

- Inflation rate in Canada in 2021 = 1.3%
- Predicted inflation rate in 2022 = 1.6%, and in 2023 = 1.9%.
- Interest rate= 3.6
- Risk = 10%

So, to calculate the discount rate we may use the next formula:  $i = (1+\pi) \times (1+Hn) \times (1+rk) - 1$ , where ‘ $\pi$ ’ here stands for the inflation rate in the country, ‘ $Hn$ ’ for deposit rate and ‘ $rk$ ’ for risk-adjusted. Thus, we will get the following:

- $I_{2021} = (1+0.013) \times (1+0.036) \times (1+0.1) = 1.013 \times 1.036 \times 1.1 - 1 = 0.1544$
- $I_{2022} = (1 + 0.016) \times (1+0.036) \times (1+0.1) = 1.016 \times 1.036 \times 1.1 - 1 = 0.1578$
- $I_{2023} = (1 + 0.019) \times (1+0.036) \times (1+0.1) = 1.019 \times 1.036 \times 1.1 - 1 = 0.1613$

#### Discount index

- ◆ 1 year =  $1 / (1+0.1544) = 0.8662$
- ◆ 2 year =  $1 / ((1+0.1544) \times (1+0.1578)) = 0.7482$
- ◆ 3 year =  $1 / ((1+0.2178) \times (1+0.1578) \times (1+0.1613)) = 0.6443$

#### Final calculations

Now, as we have done lots of necessary calculations, we are able to combine it to see a full picture. The main goal here is to find Discounted Cash Inflows by multiplying Cash Inflow on Discount Rate that we have just found. Cash Inflow we get from adding Amortization to Net Profit. Moreover, we are also adding the information about investment and count totals.

*Table 3.11*

Year	Investment	Net Profit	Amortization	Cash inflow	Discount Rate	Discounted Cash Inflows
0	47,973.4	-	-	-	-	-
1	-	21,592	5,020	26,612	0.8662	23,051.3

2	-	75,823	5,020	80,843	0.7482	60,486.7
3	-	106,600	5,020	111,620	0.6443	71,916.8
Total	47,973.4	204,015	15,060	219,075	-	155,454.8

The final step will be assessing the international investment project by using the next methods: NPV, PI, PP.

1) NPV (net present value) will help us to know if the project should be adopted or no by deducting the total investment from the sum of discount cash inflows for 3 years. Therefore, we will get the next result:  $NPV = 155,454.8 - 47,973.4 = 107,481.4$ . Since, if NPV here is more than zero, the international project should be adopted due to the fact that the cost of the company will rise.

2) For the next method to assess the profitability of the project, we are going to use profitability index (PI). It is possible to find out the profitability index for this project by dividing the sum of discount cash inflows by the money that we invest. The results will be the following:  $PI = 155,454.8 / 47,973.4 = 3.24$ .

3) To calculate the average annual income, we only have to add the amount of money we are going to invest to NPV and then divide it by 3 (years of considering the project). Thus, we will get 67,809.4.

4) Lastly, we need to know the payback period which is super simple to calculate – by dividing the value of investment by average net income that we have just found out. PP will equal 0.7.

All in all, as the essential and necessary calculations were made, it can be seen that this investment project should be adopted. The particular reasons for implementing it are the key indicators of net present value, profitability index and payback period that all show the positive numbers.

## CONCLUSIONS

To sum up, the main aim of this project – the development of an international investment project “Children’s animation center” in Canada was successfully reached. The most useful and necessary data has been collected, analyzed and demonstrated. Thus, by having a full image of the economy of the country and its international activity along with analysis of its investment climate and various indicators specific findings and calculations were presented in this thesis. Considering all the information about the effectiveness of the investment project ‘Children’s animation center’ it is possible to state that it is worth being implemented, especially in such country as Canada where the animation and education spheres are highly appreciated. Not in vain foreign investors rightfully consider Canada as an attractive country with a relatively low risk because the local investment climate is quite favorable. In addition to this, the ongoing development of animation market there is going to be extremely helpful for the implementation of such a project. The positive thing is that the country's economy and financial system have been demonstrating high resilience during the global financial and economic crisis which means that there is relatively small chance that this kind of business will have a downward trend. Even though Canada has to deal with the COVID-19 pandemic as any other country of the world, its awareness and the right and effective approach to this awful problem have shown that it is possible for the companies to survive even in such unexpected situation and hard times. Plus, Canadian government is committed to continuous improvement of the environment and tries to help the foreign investors by providing plenty of tax and non-tax benefits in the form of grants, loans and guarantees for investors who want to develop their activities in Canada. Therefore, during the recent years the conditions for small and medium-sized enterprises are continuously being improved, in particular through investment in research and development. Furthermore, the fact that creating a business in one of the most developing sectors in this country – service is more likely to be successful in this sphere as long as we are able to offer unique services for people. Since the animation industry is highly requested everywhere around the globe, a lot of creative people try to learn more about it and/or help their children to master it. While assuming the process of implementation of this international investment project all

main things were taken into account such as investment requirements, expenditures, revenue which were based on the real-life value of the goods, services and salaries. It was made in order to make a vision of an actual preparation for an implementation of the project. The only thing that may be concerning during this process for the investor are tax rates because they are quite high in Canada. But still, if a business is operating well, even high taxes cannot stop it from further performance on the market. It is also very important to focus on increasing of the performance of children animation center 'Neverland' in order to be able to offer services with the highest possible quality and to create a powerful team of animators who will develop the industry and seek for the best results in performance through their career paths. I strongly believe that this project will be very beneficial for the kids that desire to learn more about the world of animation. That is way our main mission is to provide them with an ability to receive a ticket to the incredible experience and help the growing generation to realize themselves.

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