Table II

Share of FDI Inflow in Gross Fixed Capital Formation
Canada, the USA and Mexico 1984-1995
(percentage)

Year	*Canada*	*USA*	*Mexico*
1984-89 (annual average)	*5.4*	*5.8*	*7.8*
1990	*6.5*	*6.0*	*5.6*
1991	*2.4*	*3.0*	*8.5*
1992	*4.2*	*2.2*	*6.4*
1993	*5.0*	*4.7*	*6.0*
1994	*5.9*	*4.8*	*10.4*
1995	*11.4*	*4.83*	*17.14*

Source: UNCTAD, World Investment Report 1996

Table II presents the share of FDI in gross capital formation of Canada, the US, and Mexico. In all three countries, FDI plays a role in gross capital formation. FDI is most significant for Mexico, followed by Canada and then the US. In 1995, the increase in the share of FDI in gross capital formation was particularly marked for both Canada and Mexico. Whether or not this indicates the beginning of a trend, at least with respect to Canada, can only be determined when further data become available.

An important question for Canada is whether FDI is trade enhancing or trade substituting. The data on percentage proportions of intra-firm trade in total Canada-US trade suggests that FDI is a trade enhancing factor. A recent study by Investment Canada shows that the foreign owned manufacturing affiliates in Canada display higher import and export propensities and are more outward-oriented than their domestic counterparts[30]. The conclusion of the study was that intra-firm trade (for which FDI is a precondition) plays a significant role in Canada's economic development.

Charts II, III and IV confirm the complementary role that trade and FDI play in Canada. Charts II and III in particular show the degree of export and import orientation of foreign versus the domestic firms. They indicate that foreign firms in Canada are more export-oriented and

[30]Covari and Wisner (1993).