Hence, evidence indicates the magnitude of export losses due to US investment may be exaggerated.

- Survey results as well as population data indicate that Canadian subsidiaries have a greater propensity to import from Canada than US firms in general and that more than half of their Canadian imports consist of final goods. Thus, although undoubtedly small relative to total subsidiary sales, these derived exports contribute to production of high value added goods in Canada which might not exist without investment.

A more restricted study comprising eighteen Canadian multinationals was undertaken by the International Business Council of Canada (IBCC) in 1985. The group was chosen to represent as wide a range of industries as possible and focused on specific foreign investments or divestments made between 1980 and 1984. The purpose of the study was to better explore the reasons for foreign investment by Canadian firms and the impact this outflow has in our economy.

The IBCC study found that Canadian foreign investment was principally intended:

- in the case of most companies in faster growing industries, to extend their sales into markets which otherwise would be closed to them, or in which they could not otherwise compete effectively. For this group, overcoming trade barriers, and serving the domestic market were the governing reasons for investment abroad.

- in the case of most companies in slower growing industries, to modify their production capacity, their product lines or even their business. For this group, strengthening the existing business of the Canadian parent and diversifying into other business were the governing reasons.

- The study did not reveal any evidence to show that investment abroad has hada major negative impact on the Canadian economy:

  - on investment, the study found that companies surveyed continued to invest in Canada. Indeed, those which were major capital exporters invested heavily in Canada-relative to the proportion of their revenues derived from the domestic market. In addition, and with few exceptions, investments undertaken abroad did not have viable alternatives on Canada.

  - on exports, the study concludes that rather than displacing, foreign investment maintained or increased them. In cases in which investment was taken to gain access to the foreign market, or to diversity operations exports were not possible under present conditions. Therefore foreign investment secured an outlet for at least some level of inter-corporate exports, and supported some jobs at home.

To summarize, then, trade barriers appear to have had a significant role in recent Canadian investment on the United States and its importance seems to be increasing. Although criteria related to market factors or corporate policy continue to play a governing role on these investment decisions, overcoming barriers to entry into the American economy have become an increasingly important reason, particularly, it appears, for Canadian manufacturing firms.

In cases where serving the domestic market, diversifying product lines or operations were the dominant factors, the investment decision appears to have had a neutral to mildly positive impact on the Canadian economy, in terms of net exports gained or jobs created. In cases where ease and security of access were significantly involved, however, there seems to be a net loss to the Canadian economy as the American market could have been served from Canada under conditions of non-restricted trade.