

Table 3.3.8 shows the higher proportion of intra-firm imports to total imports associated with foreign-owned firms. Foreign firms have higher proportions of intra-firm trade than domestic firms in all manufacturing categories, with "Wood" being the only one in which domestic intra-firm imports approach foreign intra-firm imports. These results are not surprising, given the finding that foreign-owned affiliates have higher import propensities (and export propensities) than domestic firms. It does, however, reinforce the importance of parent to subsidiary trade in the strategy of the global MNE. These findings for Canada are consistent with OECD findings for other OECD countries.

3.3.4 Conclusions about IFT

It is necessary, here, to say that MNEs, in terms of their merchandise trade, might be more involved with IFT and sourcing from foreign countries, but these countries tend to be located within the parent company's geographic and economic sphere of influence. Although there has been an increase of trade between the U.S. and Japan and other Pacific Rim countries, Canada is still the largest intra-firm trading partner with the U.S.. This points to the apparent paradox that increased globalization and increased regionalism are not mutually exclusive and may even be mutually reinforcing. Pursuing a global profit maximization strategy may imply increased regionalism because this is good economics. Tax regimes, market proximity and the similarity in consumer tastes may all contribute to decisions that would lead to regionalized international business development.

Although hard data on IFT is limited and often spurious, it seems that the bulk of the empirical evidence available indicates that FDI and trade are complements. IFT has been shown to be a significant, even if not an increasing, portion of total trade for both the U.S. and Canada. The importance of IFT for Canada is marked because of its strong economic ties with the U.S. and U.S. parents. Total trade would seem to be enhanced by FDI, but the net effect of FDI on exports and imports, taken separately, is more indeterminate. Nonetheless, most studies in this area agree that IFT is a significant, beneficial effect of the presence of multinational corporations in Canada.