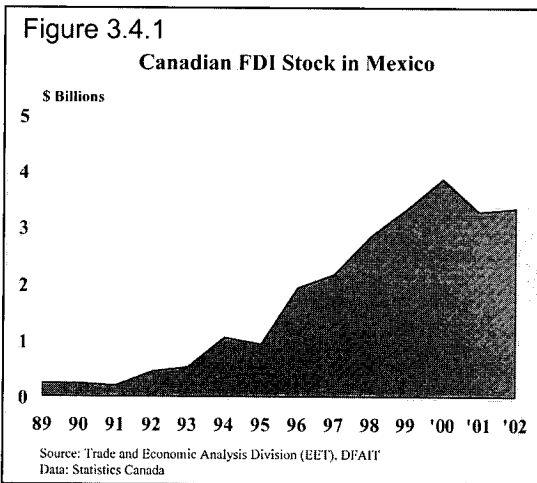


### 3.4 FOREIGN DIRECT INVESTMENT

As noted earlier, Canada's foreign direct investment (FDI) linkages with Mexico have grown rapidly, particularly since the North American Free Trade Agreement (NAFTA) came into effect in 1994. However, these linkages are still extremely small and therefore there is limited data available.



As can be seen from the table below, Mexican inward FDI to Canada stood at \$83 million in 2002, representing only 0.02 percent of total FDI in Canada. Because of the relatively small amount of Mexican FDI in Canada, little can be said about trends or its industrial distribution.

Canadian FDI in Mexico outstrips Mexican FDI in Canada by a factor of forty-to-one. Canadian FDI in Mexico accelerated dramatically since the NAFTA came into effect in 1994 as is illustrated in the adjacent graph. Canadian FDI in Mexico increased fourteen-fold since 1989, and Mexico's share of total Canadian outward FDI nearly tripled from

0.3 percent in 1989 to a still modest 0.8 percent in 2002. Canadian FDI stock in Mexico is down from its peak in 2000, but this factor is more likely due to the global economic slowdown and to a decline in M&A activity. There is surprisingly little evidence of a dramatic impact of the 1994 Mexican Peso crisis on Canadian FDI in Mexico.

**Table 3.4.1**  
**Canada's Direct Investment Position (Stock) with Mexico**

	Millions of current dollars			CAGR*, %			Share of World, %		
	1989	1994	2002	1989-94	1994-02	1989-02	1989	1994	2002
<b>Outward</b>	237	1,073	3,344	35.26	15.27	22.58	0.26	0.73	0.77
<b>Inward</b>	12	177	83	71.30	-9.03	16.04	0.01	0.11	0.02
<b>Balance</b>	225	896	3,261	N/A	N/A	N/A	-0.69	-10.82	3.96

\* Compound annual growth rate  
Source: Statistics Canada, Balance of Payments

Figure 3.4.2, above, shows that the biggest investments occurred in the Finance & Insurance industry, which accounted for 36.0 percent of Canadian FDI in Mexico in 2001, while not even registering in 1989. In fact, this industry accounted for 38.3 percent of the growth in Canadian FDI in Mexico since 1989.