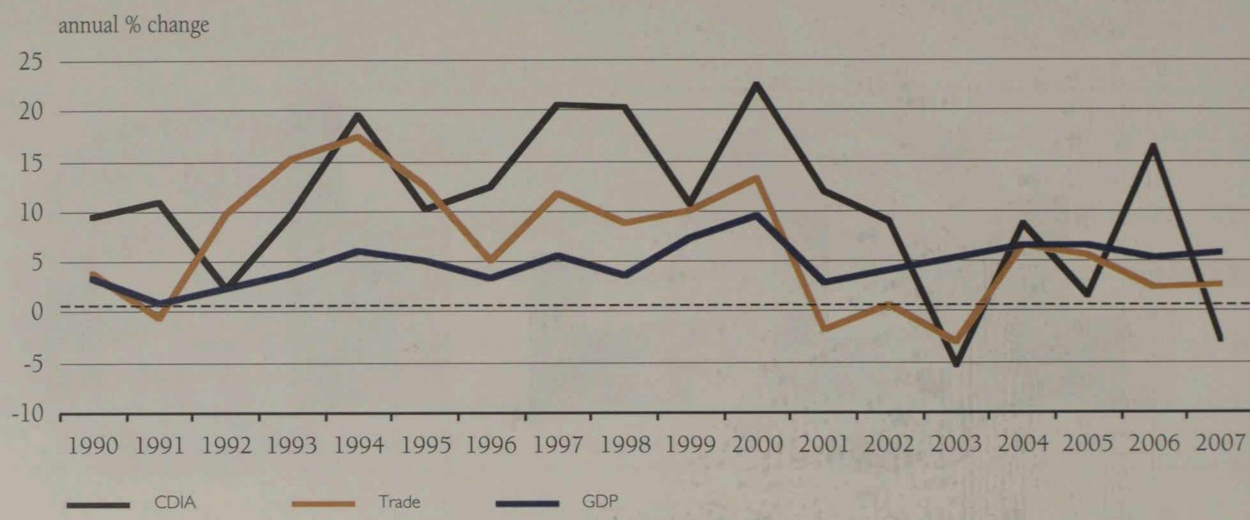
Figure 5
Growth in CDIA, GDP and Trade



Source: Statistics Canada

adapting the existing firm to the production, management, and marketing techniques of the acquiring company are considered to be too high.

Trends in Canadian direct investment abroad (CDIA)

The openness of the Canadian economy and the importance of international trade are reflected in the significant growth in total stocks of both inward and outward FDI that Canada has experienced over the past 25 years. Like global outward FDI stocks, Canadian direct investment abroad (CDIA) grew faster on average than trade and GDP over 1990-2007 (Figure 5). While CDIA advanced annually by 10.2 percent on average[4], total trade in goods and services, and nominal GDP increased by rates of 6.6 percent and 4.9 percent, respectively, over that period.

On a stock basis, Canada became a net exporter of capital in 1997 (Figure 6). CDIA has more than quintupled over 1990-2007, and it was 3 percent larger than FDI in Canada in 2007. Despite these gains, some analysts have called attention to Canada losing ground in terms of outward FDI stock. This was based on a declining share of world outward FDI stock, especially after 1998. Canada held 4.7 percent of the global outward FDI stock in 1990, but accounted for only 3.6 percent in 2006. However, as a percentage of GDP (Figure 7), CDIA was surpassed only by the United Kingdom and France among selected countries in 2001 and 2006.

4 Average annual compound growth rate.