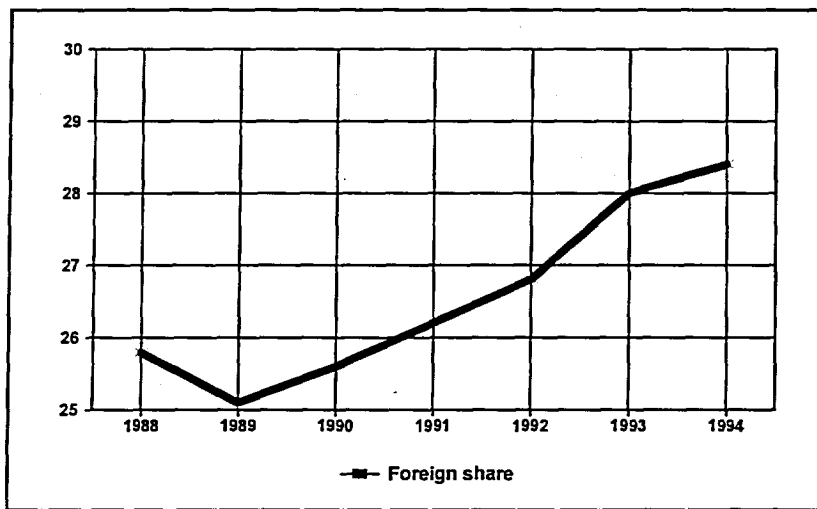


III. The Role of FDI in Canada's Trade and Economy

There is a fair amount of empirical evidence that FDI and the foreign affiliates play an important role in Canada's economy. A study by Industry Canada illustrates that the importance of foreign firms, as measured by their share of the total revenues generated by all businesses operating in Canada, has been on the rise throughout the 1990s²⁹. Chart I shows the rise in market share of the foreign affiliates in Canada. Of note, starting in 1989, is the fact that foreign shares of revenue generated in Canada has increased significantly.

Chart I

Foreign Shares of the Revenues Generated by Businesses in Canada



Source: Cameron, *Industry Canada Study*, 1997

Tables I and II present data on the role played by FDI in Canada, the US, and Mexico as reflected by the proportion of FDI in these countries' gross domestic product, and gross capital formation.

²⁹ Cameron (1997).