Resources, along with merger and acquisition activity in a variety of sectors, were the primary drivers of the surge in FDI flows into Canada in 2006 which reached $78.3 billion, more than double the $35.0 billion witnessed the previous year. This was also the first year since 2000 in which FDI flows into Canada were greater than Canadian direct investments abroad. Although Canadian companies continued to expand abroad in 2006 with net outward investments of $51.3 billion.

The Rise of Global Value Chains

The global economic environment is changing. Global business is moving away from a world of goods produced in one country and then exported to another and of branch plants producing to serve markets that are too distant for exports or protected by high tariffs. Rather, trade is increasingly in intermediate inputs and services, and investments are made to take advantage of location specific advantage which, in turn, feed into regional or global production networks. At the same time, a large portion of the world's population, most notably in China and India, are becoming ever more integrated into the global ecenomy.

To date, the rise of global value chains has been dominated by fears of offshoring work to low-wage countries. But, evidence suggests that these fears are overdone. Jobs lost due to offshoring represent only a very small fraction of total job turnover in a given year and occupations that are claimed to be at risk of being offshored continue to grow in Canada. But this misses the most important impact of the rise of global value chains.

In a world in which each stage of the value chain can be located anywhere in the world based on where it can be performed most efficiently and linked up to the other stages of production, the challenge is to make Canada the location of choice for those high-valued activities that are essential to improving the prosperity of Canadians.