

Overall, there is no evidence that CDIA by Canadian multinationals has led to a reduction in Canadian exports. To the contrary, the fast rise in Canada's outward FDI stock during the 1990s and the current decade coincided with an increase in Canadian exports. The model finds a significant and positive relationship between exports and CDIA.

Conclusions

At both the global and Canadian levels, outward FDI has outpaced gross domestic product and trade in recent decades. Rapid growth in FDI, faster than growth of world production and trade, has been one of the key drivers of globalization. FDI in services has played an important role as its share has increased at the expense of manufacturing and the primary sector. CDIA is shown to be positively linked to exports by using a Granger causality test and a gravity model. The resulting empirical evidence supports the existence of a complementary relation between exports and CDIA. The model suggests that an increase in CDIA to host countries results in an increase in exports: a 10 percent increase in CDIA will raise exports by 1.2 percent.

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