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Special Feature

Canadian Foreign Direct Investment Abroad: a Catalyst for Integration into the Global Economy

Introduction

Driven by technological change, the deregulation of industries, and liberalization of trade and investment rules, global foreign direct investment (FDI) outflows have grown exponentially over the last 25 years, reaching US$1.2 trillion in 2006. Consequently, average annual growth in the stock of global FDI (at 12.8 percent) has outpaced that for world nominal gross domestic product (4.8 percent) and that for world merchandise trade (8.1 percent) over the past two decades. This development has been one of the key drivers of globalization.

International production — the sales of foreign affiliates of multinational companies — increased world-wide from US$6.1 trillion in 1990 to US$21.4 trillion in 2006, and was nearly twice as high as global exports that year. Thus, outward direct investment and international production are now more important than exporting, in terms of the delivery of goods and services to foreign markets.

The purpose of this article is three-fold. First, it surveys trends in global outward foreign direct investment, both flows and stocks, during the years 1980-2006, with an emphasis on the performance in 2006, the latest year for which data is currently available[1]. The performance of the top 15 sources of FDI is examined. Second, the article surveys trends in Canadian direct investment abroad (CDIA). Finally, this study empirically examines the extent to which CDIA is linked to exports.

1 While UNCTAD has published data on global *inflows* for 2007, data on *outflows* in 2007 is not published until later this year.