subsidiary competing in the home country's market would increase the home country's import level; and, as the foreign subsidiary matures and develops, demand would be created for complementary goods and services produced by the parent or home country enterprises.

The above discussion illustrates FDI impacts on traditional balance of payments measurements of trade performance. An analysis is provided expanding the measurement of trade performance and competitiveness beyond the traditional balance of payments measurements into an ownership-based measure. This alternative measure of trade performance is based on translating export and import data into "foreign sales" and "foreign purchases" data. This alternative measure is based on the assumption that a firm can supply an external market through exports or by relocating its production through direct investment and local sales. The results of adjusting the data will, consequently, be on an ownership basis, rather than a residency basis.

An ownership-based trade measure is constructed for the U.S. and Japan, translating export and import data into "foreign sales" and "foreign purchases" data. The results show that on a traditional balance of payments (residency-based) measure a U.S. trade deficit in 1986 of U.S. $144.4 billion on a residency basis becomes a U.S. $56.7 billion trade surplus on an ownership basis, while for Japan a trade surplus of U.S. $31.6 billion (residency-based) in 1983 expands to U.S. $41.7 billion (ownership-based). This broader measure of a country's balance of payments also provides a measure of a country's real competitiveness.

The globalization of the world economy in the eighties has also been characterized by an FDI boom, with the growth in FDI stock significantly outpacing the growth in world merchandise trade and output. This FDI boom has been seen as a strong indication of the increasing globalization process. Another important and integral component of the globalization of economic activities is intra-firm trade. An examination of Canada-U.S. intra-firm trade shows that U.S. parents and Canadian affiliates trade goods on a 1:1 basis, while Canadian parents exported 5 times the amount of goods to U.S. affiliates as compared to imports by Canadian parents from their U.S. affiliates. The first ratio is heavily influenced by integrated automotive trade by the Big 3 and may overstate the value of Canadian affiliate exports to the U.S. (due to high U.S. content in vehicles assembled in Canada). The second ratio seems to provide good evidence that investment abroad can sustain healthy export flows from the home country.