❑ Canadian Direct Investment Abroad

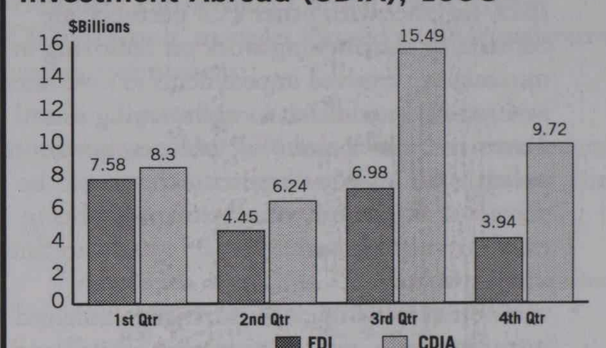
Canada has a small but growing base of domestically owned transnational corporations. Canadian direct investment abroad (CDIA) is growing rapidly, to almost $200 billion in 1997, reflecting today's reality of an increasingly integrated world market and the participation of Canadian business in that integration. These firms have recognized that investment abroad can be an essential element of their strategy to access new markets, especially in resource and high-growth markets that often demand local presence.

Given the interrelationship that has been shown to exist between trade and investment, a trading nation like Canada has much at stake in the expansion of international investment undertaken by Canadian-based firms. Currently, the federal government does not overtly promote CDIA, even though the resulting benefits (trade, profits, dividends, technology transfer to Canada) may be substantial. The benefits are demonstrated by the success abroad of Canada's chartered banks.

Some of our competitors (notably the U.K. and the U.S.) have recognized the significant benefits related to outward investment and have made its promotion an important element of economic policy. Promotion activities include direct programming, priority in international investment negotiations, or political support.

In many circumstances, CDIA helps expand trade and generates net benefit and employment in Canada. However, some Canadians see CDIA as exporting jobs and growth.

Foreign Direct Investment (FDI) into Canada and Canadian Direct Investment Abroad (CDIA), 1998



Source: DFAIT/Trade and Economic Analysis Division (EET)

3.5.2 Performance Measurement

The performance measurement strategy for strengthening investments is presented in Annex 1.