CONTENTS

ГŲ	rigures and Tables	
Ac	knowledgments	xii
1.	INTRODUCTION	1
2.	THEORETICAL PERSPECTIVES	5
	Eclectic OLI	5 13
	Kojima and the Hitotsubashi School	13
	Dependency Theory	14
3.	COUNTRY SPECIFIC ANALYSES	23
	Canadian Political Economy	23
	Analyses and Policy toward FDI in Mexico	27
	Recent Reorientation of Policy	32
	U.S. Policy toward MNCs	34
4.	The U.S. EXPERIENCE WITH OUTWARD AND INWARD FDI	43
	Global Magnitudes	43
	United States	51
5.	CANADA AND MEXICO	73
	Canada	73
	Foreign Investment and Mexico	83
	Comparisons between Canada and Mexico	93
	Final Comments	100

6.	FDI, GROWTH, AND TECHNOLOGY TRANSFER	103
	Economies of Scale and Trade Liberalization	103
	Savings and Investments	106
	Exports and Imports	106
	Technological Change in Canada	109
	MNCs and Technological Change in Mexico	116
	Multinationals, Technology, and the United States	120
7.	THE FREE TRADE AGREEMENTS	123
	The Canada—U.S. Free Trade Agreement	123
	Mexico Steps In	126
	The NAFTA Negotiation Process	131
	The NAFTA Agreement	137
8.	FDI, NAFTA, AND ECONOMIC LIBERALIZATION	143
	MNCs and the FTA	143
	Trade Liberalization and Production	144
	Econometric Estimates	147
	NAFTA and FDI into Mexico	151
	Capital Flows and Financial Liberalization	158
9.	CONCLUSIONS	165
	OLI as a Theory of Foreign Direct Investment	165
	Historical Experiences	166
	NAFTA and FDI	169
Bibliography		173
Ind	lex	191

FIGURES AND TABLES

FIGURES

3.1	Policy Positions on FDI	3
4.1	U.S. Outward FDI, 1897-1990	5
5.1	Ownership of Canadian Capital Stock, 1926-1986	7
5.2	Canada: Foreign Control of Enterprises, 1965-1987	7
5.3	Canada and Mexico: Relative Size of IFDI, Twentieth Century	9:
ΓA	BLES	
1.1	Comparative Data: Canada, Mexico, and the United States	3
1.2	Foreign Trade Matrices: Canada, Mexico, and the United States, 1989	4
l.1	Inward and Outward FDI Stocks as Percentage of GNP, Various Countries	44
1.2	Stock of FDI in Value and as Percentage of GDP	45
.3	Comparison of Canadian and U.S. Data on U.S. MNCs in Canada, 1966-1988	49
.4	Financial Ratios for U.S. MNC Affiliates in Canada, 1966-1989	50

X	Figures and	Tables
4.5	Annual Flows of FDI into Canada from the United States: Comparison of Canadian and U.S. Data	51
4.6	The Stock of U.S. FDI in Mexico, 1940-1991: Comparison of Mexican and U.S. Data	52
4.7	Indicators of U.S. Outward FDI, 1957-1989	54
4.8	Equity Position of U.S. Outward FDI, 1929-1966	56
4.9	Disaggregation of U.S. OFDI in Manufacturing, 1966-1989	57
4.10	Comparison of Sales of U.S. Overseas Affiliates with Total Domestic Sales in Canada, Mexico, and Europe	58
4.11	Employment of U.S. MNC Affiliates Compared to Host Country Employment, 1966-1987	60
4.12	Real Wages, Sales, and Assets per Worker, U.S. MNC Parents and Overseas Affiliates, 1966-1989	61
4.13	U.S. MNCs: Overseas Totals Compared to Domestic Aggregates, 1966-1989	62
4.14	Local Sales as a Percentage of Total Sales of U.S. Majority-Owned Affiliates, 1957-1989	64
4.15	Indicators of Competitiveness of U.S. Manufacturing Sectors, 1958-1987	65
4.16	Regression Results on U.S. FDI Assets and Sales, 1966-1982	66
4.17	Financing of U.S. Direct Investment Outflows, 1983-1991	67
4.18	Indicators of the Size of Investment into the United States, 1974-1989	68
4.19	Comparison of U.S. Outward and Inward FDI, 1977-1989	
	Capital Stock in Canada, 1981	70 75
5.2	Domestic Control of Output of Canadian Productive Sectors,	75
	1970-1987	78

Figi	ures and Tables	хi
5.3	Canadian Industries: Intramural R&D as Percent of Sales, 1973-198	8 79
5.4	Stock of Direct Investment Abroad from Canada, 1926-1990	82
5.5a	Estimates of the Stock of Capital in Mexico, Twentieth Century	84
5.5b	Estimates of the Accumulated Stock of Foreign Direct Investment in Mexico	85
5.5c	Percentage Foreign Ownership of Mexican Capital, Twentieth Century	85
5.6	U.S. FDI Stocks in Mexico, by Sector, 1897-1943	88
5.7	Mexico. Foreign Firms' Share of Manufacturing Production: 1970 and 1980	90
5.8	Foreign Investment as Percentage of GDP in Some Latin American Countries and Australia, 1913-1938	96
5.9	Twentieth Century Capital Output Ratios in Canada and Mexico	97
5.10	Disaggregation of Changes in Foreign Ownership of Capital in Canada and Mexico	99
6.1	Geographical Distribution of Sales of Affiliates of U.S. MNCs in Canada and Mexico	107
6.2	Exports and Imports as Percentage of Sales, U.S. Affiliates of Foreign Companies	108
6.3	Indicators of Research and Development, Late 1980s	110
6.4	R&D Percentages for U.S. MNCs in the United States and Abroad, 1966-1989	112
6.5	Current Intramural R&D Expenditures as a Percentage of Company Sales in Canada, by Country of Control, 1973-1988	113
6.6	U.S. MNC Affiliate R&D as Percentage of Domestic Business R&D	114
6.7	External Technology Payments Compared to Domestic R&D Expenditures	115

xii	Figures and T	ables
6.8	Technology Expenditures by U.S. MNC Overseas Affiliates	116
6.9	Technological Change in Manufaeturing: Mexico Compared with OECD Countries, 1960-1980	117
6.10	Indicators of R&D Expenditures in Mexico	119
8.1	Regression Results for Canada and Mexico	148
8.2	Mexico and Canada: Estimated Percentage Changes in Production, Imports, and Total Demand, as a Result of Trade Liberalization, 1991	150
8.3	Estimated Changes in Mexican Capital Stock, Different Scenarios	154

8.4 Mexico: Official Estimates of Annual Direct Foreign Investment

159

160

Inflows, 1950-1991

8.5 Mexico's Balance of Payments, 1980-1991