

Migration and Inward Foreign Direct Investment: Complements or Substitutes

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Globalization has reduced barriers between countries and thus has significant impacts on their economic activities. This increasing expansion of global trade and movement of capital is accompanied by significant mobility of people. Research has shown that migration can assist in the formation of different types of business links which lead to deployment of FDI projects. While immigration of workers may lessen the incentives for FDI from the origin country of migrants, their presence in the host country can act as a catalyst to establish the links that is required to achieve efficient distribution, procurement, transportation and satisfaction of various regulations. The main purpose for this paper is to find whether immigrants to Canada affect inward FDI in some way. I use panel data of 18 OECD countries for the period of 1994 to 2011. I use an instrumental variable approach to take into account any endogeneity. My result is that Canada's inward FDI is in no way affected by the amount of immigration from a source in the country.