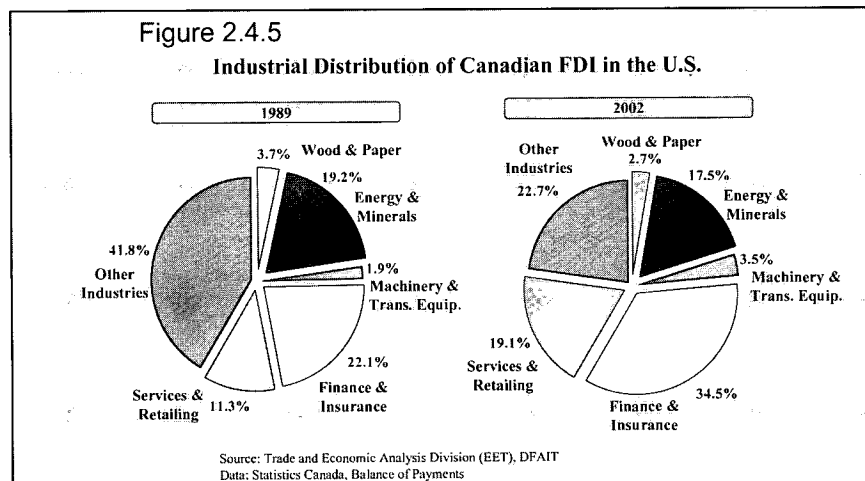


Canadian FDI in the U.S. is highly concentrated with the two largest sectors accounting for 57.2% of the total in 2002. The single most important sector, Finance & Insurance, accounts for over one-third of Canadian FDI in the U.S. Finance & Insurance also stands out as having been one of the three fastest growing sectors for Canadian direct investment in the U.S. along with Machinery & Transportation Equipment and Services & Retailing, the former growing from a small base. It is also interesting to note that the U.S.'s declining share of Canadian outward FDI has been occurring in all sectors, with the exception of Services & Retailing. The second largest sector for Canadian FDI in the U.S. is "Other Industries" which includes the computer and telecommunication industries. The slow rate of growth reported for this sector is largely a result of a large decline, by more than one-quarter, since its peak at \$62.3 billion in 2000. The U.S. accounts for low shares of Canadian FDI in the Machinery & Transportation and Finance & Insurance sectors, whereas Europe accounts for a large share of the former and Latin America a large share of the later. At the other end of the spectrum, a large majority of Canadian Services & Retailing FDI went to the U.S.



U.S. FDI in Canada is much more evenly distributed across industries than is Canadian direct investment in the U.S. The single largest sector, "Other Industries", accounts for just over one-quarter of all U.S. investment in Canada. Growth in U.S. FDI in Canada is also much more evenly distributed over the entire post-FTA period. The Energy sector does stand out as witnessing particularly fast growth in U.S. FDI, mostly driven by a flurry of acquisitions in the last couple of years of Canadian companies operating in the oil patch. It is interesting to note that while Canadian FDI in the U.S. in "Other Industries" fell sharply from its peak in 2000, U.S. investment in Canada in "Other Industries", while also peaking of 2000, fell only slightly. The U.S. accounts for a relatively smaller share of FDI in the Finance & Insurance and Other Industries sectors. In both cases, continental Europe is the major investor. This is most apparent in other industries where some Canadian high-tech, entertainment and food and beverage companies have been acquired in recent years, mostly by French companies.