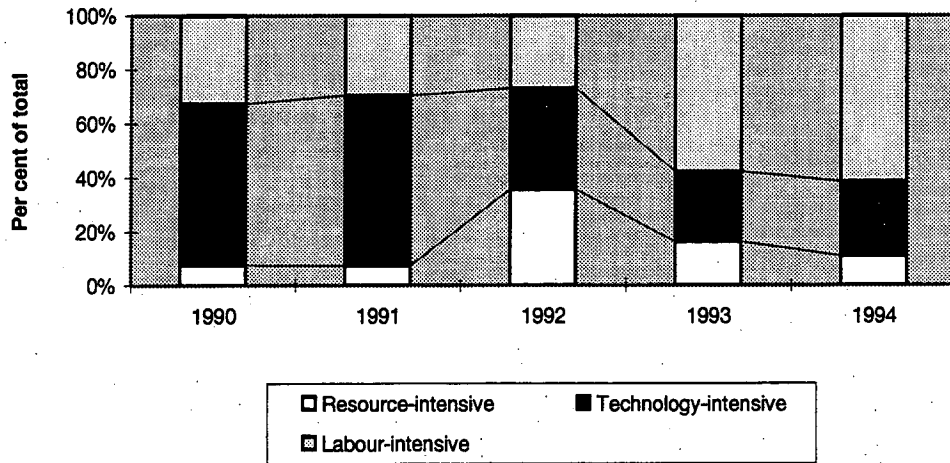


Figure US-5 Foreign Investment from the United States

Source: Industry Canada, The Conference Board of Canada



The status of the United States as our most important trade and investment partner is apparent in almost all of the available descriptions of the relationship between the two countries. The degree to which Canada is integrated economically with the United States, through the FTA and NAFTA, but also through a long-standing investment relationship is significant. It is therefore problematic to find that the importance of Canada as a target of US DIA has been less significant recently than in the past. As was outlined in other country reports associated with the study, Canada's importance as a target for U.S. investment has declined. In fact, the study found that the Canadian proportion of total inflows of US DIA are 10 percentage points lower than the corresponding share of US DIA stocks.

Some of the factors that contribute to this situation cannot be changed by Canada. For example, there is investment liberalization going on in Europe, and this likely diverts some U.S. investments away from Canada as American companies capitalize on opportunities in Europe. As well, the United States inherently invests a large proportion of its investment resources in the developing world, and as a developed country, Canada may not be able to compete for these investment funds.

However, even leading developing countries that are important investment targets of the United States, such as China and Mexico, still fail to obtain a greater share of US DIA flows than Canada.