

The economic relationship with the United States was the dominant factor in Canada's trade and investment performance.

- ❑ Two-way trade in goods and services with the U.S. grew by 10.6 percent last year, with goods trade up 11.0 percent and services up 7.5 percent.
- ❑ For the decade as a whole, two-way trade grew at an average annual pace of 10.4 percent, raising the level of two-way trade in goods and services from \$235.2 billion a year in 1989 to over \$622.7 billion in 1999. This represented over \$1.7 billion of business per day.
- ❑ With this performance, Canada turned a small but persistent deficit on the bilateral current account over the period 1988 through 1993 into a surplus in the years since. This reflected both an expansion of the traditional bilateral surplus in merchandise trade, as well as a substantial reduction in the long-standing deficit in services trade.
- ❑ The Canadian current account surplus with the U.S. increased to an all-time high of \$32.4 billion in 1999, from \$11.5 billion in 1998.
- ❑ From a Canadian perspective, the trading relationship with the U.S. dominates the statistics: the U.S. accounts for over 4/5 of exports and 3/4 of imports.

Table 2: Two-way Trade, Canada and the United States, 1990-1999

	Value (millions of current dollars)			Annual growth (%)		
	Goods	Services	Goods & Services	Goods	Services	Goods & Services
1990-1999	356 181	48 703	404 895	10.5	8.5	10.4
1997	454 140	57 923	512 063	12.8	8.0	12.3
1998	503 293	63 248	566 541	10.8	9.2	10.6
1999	558 722	67 982	626 704	11.0	7.5	10.6

Source: Statistics Canada, CANSIM, Matrix no. 2361: *Canadian Balance of International Payments — United States*.

Table 3: Shares of U.S. Goods Imports From, and Exports To, Five Main Trading Partners

	As % of total U.S. imports				As % of total U.S. exports			
	1994-1996	1997	1998	1999	1994-1996	1997	1998	1999
Canada	19.5	19.2	19.9	22.8	21.8	22.0	22.7	24.1
EU	17.9	18.1	19.3	19.1	20.9	20.4	21.8	21.8
Mexico	8.4	9.9	10.4	10.7	8.9	10.4	11.5	12.5
Japan	16.3	14.0	14.0	15.1	10.7	9.5	8.5	8.3
China	6.2	7.2	7.8	8.0	1.9	1.9	2.1	1.9

Source: U.S. Census Bureau, *International Trade Statistics*. Note: Data are on a customs basis.

- ❑ However, our trading partners' import data suggest greater diversification in Canada's exports than our own export statistics suggest. One factor that may account for at least part of this discrepancy is the increased use of U.S. transportation facilities to ship merchandise to third countries. This may result in an overstatement of the share of Canada's exports going to the U.S. and an understatement of share going to other major trading partners. Ongoing work on data reconciliation with Canada's major trading partners will improve our knowledge of the distribution of Canadian exports.
- ❑ From a U.S. perspective, Canada does not loom quite so large, reflecting the different size of the two economies. Nonetheless, Canada carries an economic weight in the U.S. market well above its weight in the global market as a whole, as shown in Table 3, ranking with the 15-country EU both in terms of import and export shares.

