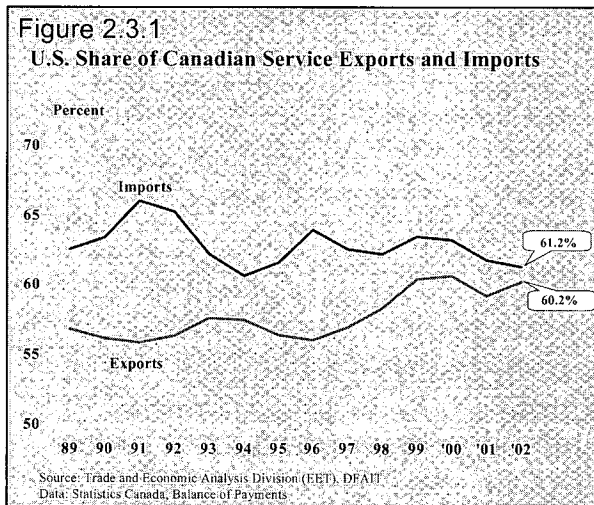


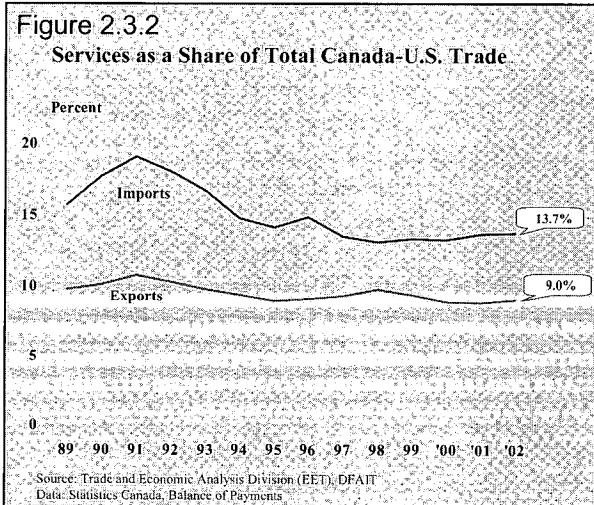
2.3 SERVICES TRADE



The U.S. share of Canada's services trade, has not increased as rapidly as it has for merchandise trade. The U.S. share of our services imports actually fell slightly, from 62.5 percent in 1989 to 61.2 percent in 2002 although there was a slight upward trend in the U.S. share of our services exports which increased from 56.8 percent to 60.2 percent over the same period.

Services account for a small and declining share of our total trade with the U.S. In 2002, 9.0 percent of Canadian exports to the U.S. and 13.7 percent of Canadian imports from the U.S. were services. This is down from 9.8 percent and 15.7 percent respectively, in 1989. The share of services in Canada's total trade with the rest of the world is not only significantly higher, reaching 23.2 percent in 2002, but also has been on the rise.

Despite the declining share of services in total Canada-U.S. trade, services trade volumes between the two countries were up considerably, as Canada's services exports to the U.S. nearly tripled from \$11.8 billion to \$35.1 billion while im-



ports doubled from \$18.1 billion to \$40.8 billion. Growth in Canada-U.S. services trade roughly matched that of Canada with the rest of the world. It was therefore only a result of even faster growth in merchandise trade that resulted in the declining share of services in total Canada-U.S. trade.

While Canada has traditionally maintained a large trade deficit with the U.S. in services, it has fallen considerably in recent years. In

