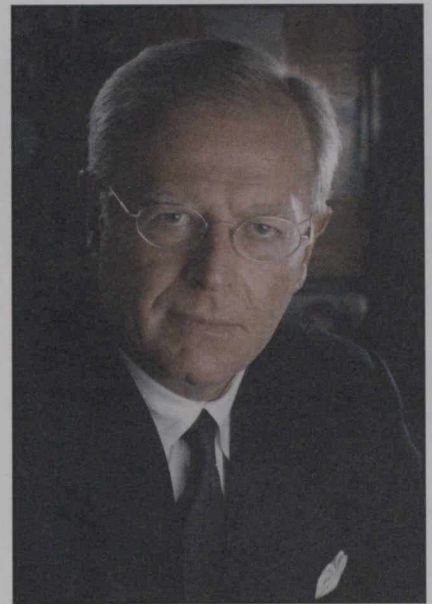




A MESSAGE FROM THE
HONOURABLE JAMES S. PETERSON,
MINISTER OF INTERNATIONAL TRADE



This annual report on Canada's State of Trade reflects the impact in 2003 of a series of extraordinary challenges for the Canadian economy. The year just past will be remembered for the severe acute respiratory syndrome epidemic, the bovine spongiform encephalopathy case, the power blackout that affected Ontario and much of the northeastern United States, forest fires and an uncertain international economy.

Yet even with all of these circumstances combined, exports of electricity and natural gas continued their dramatic increase. Commercial services such as engineering, environmental and management services continued to increase as a proportion of our overall trade in services; international prices for commodities rose and our current account—the broadest measure of Canada's economic relationship with the world—remained both positive and increased over the course of the year.

I am optimistic about the year to come. The underlying strength of the Canadian economy means we are well-positioned to benefit as the global economy regains strength. The 2004 KPMG Competitive Alternatives international business cost study has reaffirmed that Canada is the lowest-cost G7 country in which to do business, even in the context of a rising dollar. The newly created Department of International Trade, will take a highly focussed, innovative, and aggressive approach to promoting Canadian trade and investment and international business development.

Enhanced trade and investment are intrinsic to our government's strategy to build a 21st century economy in Canada. I look forward to working closely with all Canadian trade and investment stakeholders as we seek out creative ways to maximize Canadian prosperity and opportunity in a rapidly changing global market place.