

A large (\$0.6 billion) decline in aircraft exports (HS chapter 88) more than offset smaller gains in all other components of machinery and equipment as total machinery and equipment exports to the EU fell \$0.1 billion. Likewise, declines in exports of pulp (down \$0.1 billion) and paper and paperboard products (down \$0.1 billion) helped bring total exports of forestry products down by \$0.1 billion, to limit total Canadian exports to the EU.

On the import side, increased imports of consumer products (up \$0.7 billion), agricultural and fishing products (up \$0.2 billion), and energy products (up \$0.1 billion) were more than offset by declines in machinery and equipment (down \$1.1 billion) and industrial goods and materials (down \$0.2 billion). Of particular note, imports of aircraft from the EU plunged 43.7 per cent, or down \$1.4 billion, to \$1.9 billion last year. Sectors experiencing large increases in imports from the European Union included beverages, spirits and vinegar (up \$0.2 billion), mechanical machinery and equipment (up \$0.3 billion), and pharmaceuticals (up \$0.7 billion).

### *Japan*

Exports to Japan fell \$0.3 billion, or 3.3 per cent, to \$8.1 billion while imports from this country fell \$1.6 billion, or 10.3 per cent, to \$13.8 billion. With imports falling more than exports, but still remaining larger than exports, Canada's merchandise trade deficit with Japan contracted \$1.3 billion to \$5.7 billion in 2003.

Exports to Japan were pulled down last year by reduced exports of forestry products, energy products, and agricultural and fishing products, which fell \$0.3 billion, \$0.1 billion, and \$0.1 billion, respectively. Helping to cap the decline was a \$0.2 billion increase in exports of machinery and equipment. Exports of industrial goods and materials and consumer goods posted small increases while exports of automotive products posted a small decline. Losses in forestry products exports were widespread as wood and wood products posted a \$211 million decline, pulp exports fell \$42 million, and paper and paperboard exports were down \$65 million.

On the import side, imports of Japanese automotive products fell \$0.8 billion last year. Imports of pearls and precious stones (HS chapter 71), iron and steel and their products (HS chapters 72 and 73) and tools and implements made of base metals also fell, leading imports of industrial goods and materials down \$0.3 billion.

Similarly, fewer imports of electrical and mechanical machinery and equipment and of aircraft helped lower imports of machinery and equipment by \$0.3 billion. Toy, game and sporting goods imports from Japan also fell last year as gains and losses elsewhere in the consumer goods category largely offset each other, resulting in a \$0.2 billion decline in total consumer goods imports from Japan.

### *The rest of the world*

This region contains all of Africa, Latin America and the Caribbean, and most of Asia (except for Japan), to name much, but not all, of the region. It contains both small and large economies, rich and poor ones, countries that are populous and others that are sparsely populated, fast-growing economies and shrinking economies, as well as developed nations and developing nations. Box D provides a statistical overview of three of the largest economies from this region, while Box E includes Mexico, also a member of this region, in the context of a brief review of the NAFTA trade agreement at ten years.

Merchandise exports to the rest of the world grew more slowly than merchandise imports in 2003 (3.6 per cent against 4.3 per cent), Canada's merchandise trade deficit with the rest of the world expanded \$2.4 billion to \$53.2 billion. Exports in 2003 were smaller than imports, by about two-thirds — \$26.1 billion vs. \$79.3 billion.

Imports from the rest of the world were up across the board in all major categories, but especially for energy products (up \$2.3 billion, or 24.5 per cent), consumer products (up \$0.5 billion, or 3.9 per cent), and industrial goods and materials (up \$0.4 billion, or 2.9 per cent). Toys, games and sporting goods (HS chapter 95), miscellaneous manufactured articles (HS chapter 96), and woven apparel (HS chapter 62) helped to boost consumer product imports.

Exports to the rest of the world were also up in all major categories, except those for agricultural and fishing products and machinery and equipment. Exports of automotive products (HS chapter 87) surged 35.7 per cent to \$2.1 billion, a gain of \$0.6 billion, to lead the advances. Forestry product exports also contributed to the advance, rising \$0.3 billion (8.8 per cent), as did industrial goods and materials (up \$0.2 billion, or 2.8 per cent) and consumer goods (up \$0.1 billion, or 19.3 per cent). Declines in agricultural and fishing products (down \$0.2 billion, or 3.2 per cent) and machinery and equipment (down \$0.1 billion or 1.1 per cent) limited the gains.

<sup>1</sup> This 86.1 per cent share in total merchandise exports is calculated on a *Customs* data basis — in contrast to the 82.5 per cent reported earlier in this Report, which is calculated on a *Balance of Payments* data basis.