Exports of forestry products to the U.S. were down across the board. The long-standing dispute over softwood lumber remained unresolved through 2003 and, as a result, most Canadian production of these products remained subject to anti-dumping and countervailing duties at the border. Thus, exports of wood and articles of wood to the U.S. fell $1.2 billion, or 7.4 per cent, last year. However, notwithstanding this barrier, the main contributor to the reduction in Canadian forestry exports to the United States was not lumber products; rather it was reduced exports of paper and paperboard products (HS chapter 48), which fell $2.0 billion (or 13.4 per cent), that accounted for the bulk of the loss in forestry product exports to the U.S. Pulp exports also fell some $200 million (down 6.6 per cent) for the year.

Industrial goods and materials comprise a wide range of products that are primarily used in the production of other goods, though not always. They range from things like chemicals and fertilizers, to textiles and rubber, to metals, stone and glassware. About 80 per cent of these products are exported to the United States in proportion to their total exports. In 2003, Canadian exports to the U.S. of these products fell, as exports of iron and steel, copper, aluminum, nickel, zinc and other base metals, as well as the miscellaneous articles made of these base metals, declined, as did exports of chemicals, fertilizers, and rubber products, to account for the bulk of the declines.

Imports from the United States fell 7.0 per cent, or $15.2 billion, to $203.1 billion in 2003. The majority of the declines occurred in machinery and equipment (down $8.0 billion), industrial goods and materials (down $3.8 billion), and automotive products (down $2.9 billion). As was the case for exports to the U.S., the only sector to experience an increase was energy, which advanced $1.5 billion in 2003.

Notable declines in imports were observed in mechanical machinery and equipment (HS chapter 84), which fell $4.2 billion, electrical machinery and equipment (HS chapter 85), which fell $2.9 billion, and motor vehicles (HS chapter 87), which fell $2.9 billion. Energy products (HS chapter 27) posted the only sizeable gain in imports from the U.S. in 2003: they advanced $1.5 billion, or 36.2 per cent, over 2002 levels.

The European Union

The European Union accounted for 4.9 per cent and 11.6 per cent of Canada's merchandise exports and imports, respectively, on a Customs data basis. These shares were up 0.5 percentage points and 0.3 percentage points, respectively, from their 2002 share levels. Roughly one-third of Canadian exports to the EU are in machinery and equipment (32.6 per cent) and another third is in industrial goods and materials (31.8 per cent). Forestry products (14.6 per cent) and agricultural and fishing products (11.1 per cent) make up most of the remaining third of exports to the EU.

Machinery and equipment also accounted for approximately one-third of Canadian merchandise imports from the EU (35.3 per cent) last year. However, the remainder of the import commodity groups are more widely spread out than was the case for exports: industrial goods and materials were next in importance at 21.6 per cent of EU merchandise imports, followed by consumer goods at 14.3 per cent, energy products at 10.1 per cent, automotive products at 9.2 per cent, and agricultural and fishing products at 7.0 per cent, with the final 2.5 per cent belonging to forestry products.

Merchandise exports to the EU advanced $1.3 billion, or 7.6 per cent, to $18.8 billion in 2003, partially reversing the $1.7 billion decline that had taken place over the two previous years. Merchandise imports from the EU, on the other hand, fell $0.2 billion, down 0.6 per cent, last year. With exports rising and imports falling, the bilateral Canada-European Union merchandise trade deficit thus narrowed $1.6 billion for the year, to $19.9 billion.

About half the gains in exports came from industrial goods and material. A $1.0 billion jump in exports of pearls and precious stones, along with a $0.2 billion increase in inorganic chemical exports, drove the gains, while a $0.4 billion decline in ore, slag and ash exports and a $0.2 billion decline in aluminum exports helped cap the advances.

Agriculture and fishing products also saw their exports to the EU rise in 2003 — by nearly $0.5 billion. A $0.4 billion (or 152.3 per cent) jump in cereal exports accounted for the bulk of the gains. Widespread gains in exports of consumer products (up $0.2 billion) and gains in automotive products (also up $0.2 billion) also helped to push up Canadian exports to this region.