

The U.S. Midwest is the most important regional market for Canada, accounting for 41 percent of Canada's exports to the U.S. in 1999, while the Northeast was the second most important destination, with 26 percent of southbound flow (Figure A3). The distribution of Canada's imports from U.S. regional markets is rather different from that of exports: while the Midwest (44 percent) remained the most important trade partner, the South (23 percent) replaced the Northeast (20 percent) to become Canada's second most important U.S. regional supplier of merchandise imports.

In Figure A4, the four U.S. regions are broken down into eight zones. It can be seen that Canada's trade with the eight U.S. zones is dominated by Great Lakes states, which accounted for 35 percent of Canada's exports and 38 percent of Canada's imports in 1999. The U.S. Mideast and Far West were the second and third most important markets for Canada's exports.⁶ The U.S. Southeast and Mideast were the second and third most important sources of Canada's imports.

Interregional Trade Flows

At a more disaggregated level, it can be seen that Canada-U.S. trade is dominated by a limited number of regional flows. Among the cross-border flows between the five regions in Canada and the eight regions in the U.S., only 14 were worth more than \$10 billion, together accounting for four fifths of Canada-U.S. cross-border trade. Ontario's trade with each of the eight U.S. regions exceeded \$10 billion, totalling 65 percent of Canada's overall transborder two-way trade. The largest two flows were Ontario-Great Lakes (30 percent) and Ontario-Mideast (11 percent). Quebec's close U.S. trading partners were the Mideast (3.5 percent) and New England (2.9 percent). Border effects are also important in the Pacific and Atlantic regions: B.C.'s trade ties with Pacific states (3.1 percent) symbolized the role of the Interstate 5 corridor; the Prairies' two key trading regions were the Great Lakes (2.8 percent) and the Plains States (2.5 percent). Although the Rocky Mountain region also borders the Prairies, two-way trade between these two regions was insignificant since the primary economic activity of these U.S. states is agriculture, a sector that is not complementary to

Figure A2: Distribution of Canada's Trade with the U.S. by Region (percent), 1999

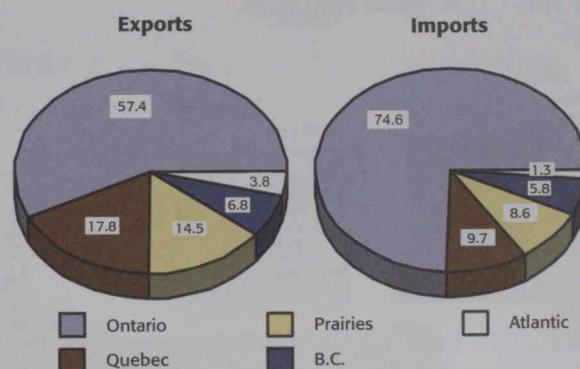
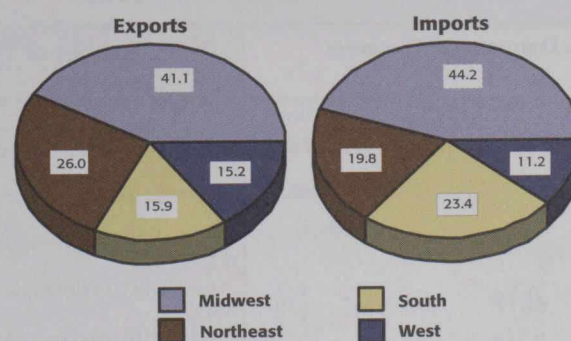


Figure A3: Distribution of U.S. Trade with Canada by Region (percent), 1999



Source: Statistics Canada

⁶ The Mideast region covers New York, New Jersey, Pennsylvania, Delaware, Maryland and the District of Columbia.

