

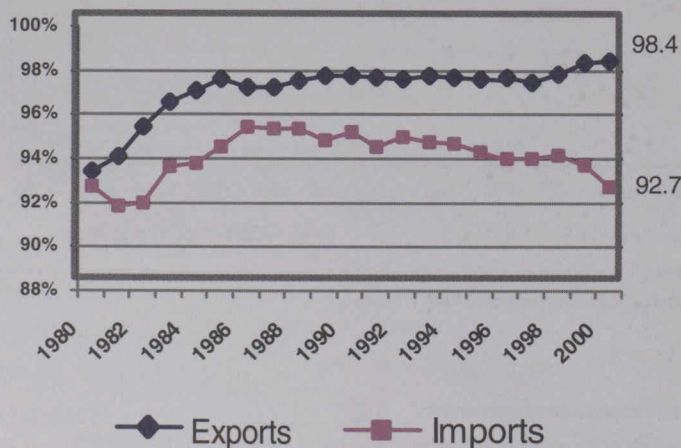
Box C: Trade and Investment with FTAA Member Countries

Introduction

Canada is currently negotiating with 33 other democratic countries in the hemisphere toward a Free Trade Area of the Americas (FTAA), which is to be concluded by 2005. The process was initiated by a Summit in December 1994 in Miami, hosted by U.S. President Clinton. A second Summit officially launched the negotiations in Santiago, Chile, in April 1998. Canada chaired the initial 18-month start-up phase of the trade negotiations from spring 1998 until November 1999, concluding with hosting of the Fifth FTAA Trade Ministers Meeting in Toronto on November 3-4, 1999. Canada hosted the Summit of the Americas in Quebec City in April, at which the FTAA was a key component.

The successful completion of the FTAA negotiations would create the world's largest free trade area, with 794 million people (1999 data) and a combined gross domestic product (GDP) of more than US\$11 trillion (1999 estimate). The FTAA would build on Canada's free trade ties with the United States and Mexico, and separately with Chile and its expanding links elsewhere in the hemisphere, allowing Canada to take full advantage of emerging hemispheric markets. Even excluding Canada's NAFTA partners, the region was a \$3.8 billion export market for Canadian goods in 2000 (about 7.5 percent of Canada's total merchandise exports to countries outside of U.S. and Mexico).

Figure C1: U.S. Share of Canada's Trade with the FTAA Region



Trade with FTAA Countries 1980-2000

As the United States is Canada's most important trade partner, much of Canada's trade with the FTAA "region" is with the United States. In 2000, the U.S. share in Canada's total FTAA trade was 98.4 percent in exports and 92.7 percent in imports, leaving only 1.6 percent and 7.3 percent for trade with the other 32 countries (henceforth referred to as FTAA₃₂). The following section discusses Canada's export and import performance with FTAA₃₂ countries in greater detail. It is important to stress at the outset that Canada's export and import trade with most of the FTAA₃₂ countries has not yet reached a significant order of magnitude, with the exception of Mexico, Brazil and Chile. In 2000, for instance, Canada's exports to each of nine of the prospective FTAA partners amounted to less than 1 percent of sales to the FTAA₃₂ countries. In the case

of imports, the corresponding number of countries was somewhat larger, at 14. For this reason, it is sufficient to discuss in greater detail Canada's trade performance with respect to a limited number of countries.

Trade Balance

Historically, Canada has recorded a growing deficit in trade with the FTAA₃₂ countries. The deficit shot up from just below \$300 million in 1980 to \$12.2 billion by 2000. The gap between exports and imports grew rapidly in the 1990s, especially since 1997. Imports increased dramatically while exports declined noticeably in the wake of the financial crisis that adversely affected economic growth in these countries.

