Canada has a substantial trade surplus with the United States, reaching \$93.9 billion in 2004 - a very large number when judged against total trade volume for example. It is important to recognize, however, that whether a country has surplus or deficit on its trade account has little to do with the state of trade liberalization between countries, but is more accurately a reflection of relative macroeconomic conditions between countries.

International trade allows countries to specialize both at the industry level and at the detailed individual product level within specific firms. At the broader level, Canada's exports, in order of importance in 2004 were; Automotive products (21.2 percent), Machinery and Equipment (19.5 percent), Industrial products (17.5 percent), Energy (16.5 percent), Forestry (9.7 percent), Agriculture and Fishing (7.2 percent) and Consumer goods (3.7 percent). It is interesting, however, that two-way trade in similar goods (at least at the broad level) is an important feature of modern trade. Canada's three largest imports are also Machinery and Equipment (29.2 percent), Automotive products (21.7 percent) and Industrial products (20.4 percent).

Similar to goods trade, increased specialization together with globalization has brought about larger transactions in services such as travel services, transportation services, commercial services (which includes accounting, legal, insurance, architecture, engineering, and management consulting), and government services. Canadian exports of services in 2004 were \$62.3 billion, or 12.7 percent of total Canadian exports of goods and services. Imports of services were \$73.5 billion in 2004, or 16.8 percent of total Canadian imports of goods and services. Interestingly, the share of the United States in Canada's two-way trade is smaller for services (57.3 percent) than for merchandise (75.9 percent). Also, services trade, while rising as a share of Canadian GDP, as it is for all the advanced countries, has fallen somewhat as a share of total trade throughout the 1990s, further highlighting the boom in goods trade.

The openness of Canada to trade parallels closely the importance of Foreign Direct Investment (FDI) in the economy, both inward and outward. In 2004 the stock of inward FDI was \$357.5 billion. Of that, \$232.0 billion (64.9 percent) was accounted for by US firms. The stock of outward FDI by Canadian firms was \$399.1 billion of which \$224.4 billion (56.2 percent) was in the US economy. Globally, FDI has grown more rapidly than has trade, as in the case of Canada. Two-way FDI carries with it many benefits as will be discussed in due course.

These statistics only partially convey the importance of international trade to Canadians at the beginning of the 21st century. Economic models and theories can be used to ask questions such as "how will a fall in exports of 10 percent impact on Canadian employment?" or "how will Canadian living standards adjust if Canada were to withdraw from NAFTA?" The reality is, however, that these questions cannot be answered with any great quantitative precision. At one level, the export-import numbers suggest that, to a first approximation, one in five jobs is "export dependent" in Canada. This simply reflects an accounting of how much of current aggregate demand, or total