China

China is Canada's fourth-largest export market and second-largest source for Canadian imports. Canadian merchandise exports to China increased 6.1 per cent to $7.1 billion in 2005, up from $6.7 billion the year before. The top 10 products accounted for 68 per cent in 2005. Organic chemicals and wood pulp exports were the only categories to approach one billion dollars of exports. Ores (168.5 per cent), salt and sulphur (117.7), fertilizers (58.7 per cent) and machinery (24.3) experienced the highest growth in 2005, whereas cereals, motor vehicles and wood pulp declined steeply by 51, 35.8 and 16 per cent, respectively.

Figure 4-12a
Top-10 Merchandise Exports to China, 2005

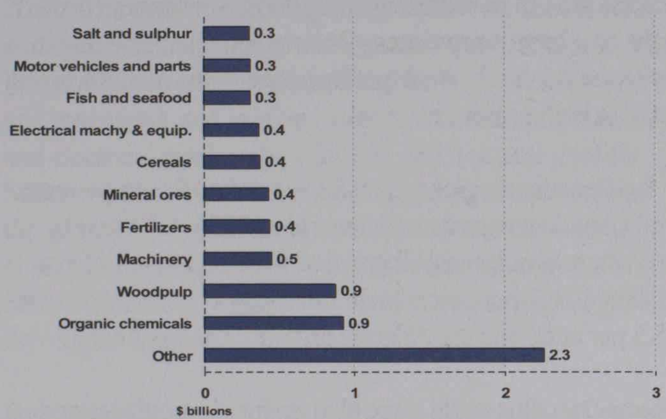
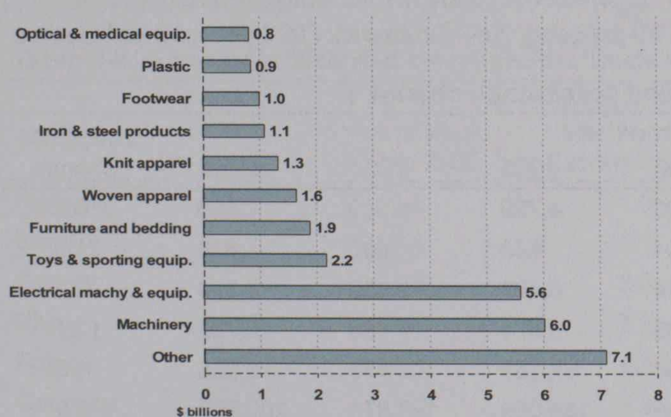


Figure 4-12b
Top-10 Merchandise Imports from China, 2005

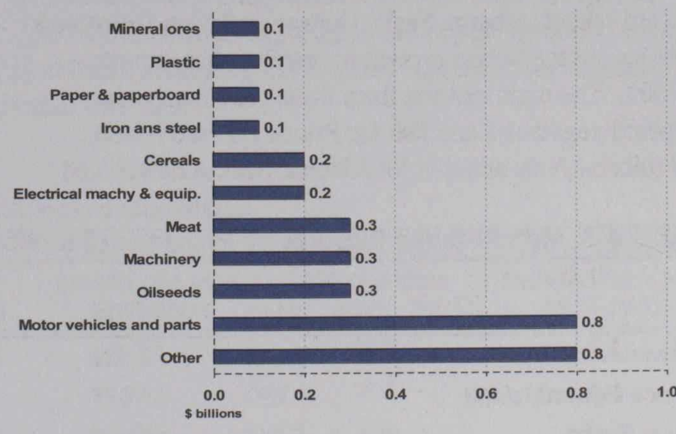


Canadian merchandise imports from China outpaced exports by a wide margin, increasing by 22.4 per cent to $29.5 billion in 2005. The major imports from China were comprised of mechanical machinery, electrical machinery and equipment, and toys and sports equipment. In terms of growth, apparel, iron and steel surpassed 45 per cent while both mechanical and electrical machinery were over 25 per cent. No top 10 category grew less than 5 per cent.

Mexico

Mexico is the Canada's fifth largest merchandise export market and fourth largest import market.[4] Merchandise exports to Mexico grew 8.7 per cent to $3.3 billion, from $3.0 billion in 2005. The top 10 exports to Mexico accounted for over three-quarters of all exports to that country, led by motor vehicles (23.1 per cent), oilseeds (10.5 per cent) and machinery (9.3 per cent). Among the major exports to Mexico, motor vehicles, iron and steel and electrical machinery recorded the highest growth in 2005, at 122.4, 69.6 and 62.4 per cent increases, respectively.

Figure 4-13a
Top-10 Merchandise Exports to Mexico, 2005



Merchandise imports from Mexico increased by 8.6 per cent to $ 14.6 billion in 2004. Overall, merchandise imports were highly concentrated with the top-three imports accounting for 67.6 percent of

[4] Discrepancies between Canadian and Mexican statistics were significant in 2005. Mexico's imports from Canada exceeded Canada's exports by $4.2 billion. Similarly, Canadian imports from Mexico were greater than Mexican exports by $9.5 billion. Reconciliation studies between Canada and Mexico identified misallocation and export undercoverage as the major causes for discrepancies. Country misallocation is the attribution of trade to a country that is not the final destination of goods, resulting in the situation where the two countries credit trade to different countries. For example, Canada might ship goods through the United States to the final destination of Mexico. Undercoverage is the situation in which trade is not reported to the compiling country and is therefore missing entirely from its officially published statistics.