oats and corn making up the remainder of the decline. Both canola seed and canola oil suffered sizeable cutbacks to their export levels as well.

In minerals and metals, trade is very sensitive to economic conditions. In times of economic booms, trade is very robust, while during a downturn in economic output, the demand for these products is weakened. Thus, trade in these products was heavily impacted by the global, synchronized recession of last year. Canadian exports were down to almost all developed countries, most notably to the United States. Reduced output in the North American automotive sector also contributed to the weakness in this sector. Trade losses were widespread, in particular for aluminum, iron and steel, and nickel products.

In the wood, pulp, and paper sector, exports have been on a downward trend for some time. For wood products, the downturn in the U.S. housing sector has helped curtail exports. For paper products, slumping newspaper circulation and advertising around the world has depressed the market for newsprint. Pulp exports have likewise been affected. Exports to the United States accounted for much of the declines.

In advanced manufactures, trade levels were generally down from 2008 levels. Gas turbines (largely used in the aircraft sector) registered a relatively small decline in exports, while imports advanced. Exports of telephone equipment and parts experienced another sharp decline, as imports were unchanged. Bucking the overall trend, exports of television receivers and video monitors and projectors advanced by nearly two thirds at the same time as imports declined. The bulk of the declines occurred in trade with the United States.

The financial crisis was characterized by major credit constraints stemming from undercapitalized financial positions in the banking sector. Credit was both expensive and difficult to access. As a result, cross-border capital flows withered. Investment flows such as bank loans and portfolio investment were most severely affected, but foreign direct investment (FDI) was affected too. Global FDI flows have been halved in the two years since the financial crisis erupted, with the bulk of the decline occurring in 2009. All major countries and regions experienced reductions in FDI inflows, including Canada, where inflows to the country fell at a more rapid pace than the global average. As a result, the stock of FDI in Canada was up by only 1.6 percent—well below the 9 percent annual average over the last decade—and reflected slower investment activity, especially from the United States.

At the same time, flows of Canadian direct investment abroad (CDIA) fell 44.1 percent to $46.3 billion. However, despite the positive outflows, the stock of CDIA declined by 7.5 percent ($48.4 billion) in 2009. This was the result of a revaluation effect of a substantially stronger Canadian dollar at the end of last year, and was concentrated in assets in the United States. The resurgence of the Canadian dollar against most foreign currencies toward year-end subtracted about $72 billion from the overall position of CDIA last year. Without the currency effect, CDIA would have increased by between $23 billion and $24 billion over the year. Investment was down across most sectors, although increases were posted for finance and insurance, and information and cultural industries. Positions were down across most major regions, with the exception of Asia and Oceania where CDIA edged up 2.2 percent.

The information boxes in this year's *State of Trade* report examine three separate, but interdependent, facets of Canada-U.S. trade in goods—trade by U.S. sub-national region, trade by affiliation, and trade by