

in 2000, after declining in 1998 and 1999. This expansion underscores the recovery of the economy from Japan's financial crisis in 1998-99. However, despite the recent gains, the value of exports to Japan remained below its pre-crisis level. Canada's imports from Japan rose at a relatively faster rate of 10.6 percent in 2000.

In 2000, Canada's merchandise exports destined for the United Kingdom were up by 20.4 percent from 1999. Imports grew even faster, more than doubling their value since 1998 to \$12.4 billion in 2000, reflecting a significant increase in purchases of energy products, and machinery and equipment. Canada's imports from the United Kingdom of crude petroleum alone rose by 189 percent in 2000.

Canada's trade with Mexico also surged, making this trading partner our seventh largest export market in 2000, from eighth in 1999 and well above its ranking of thirteenth in 1993, prior to the implementation of the North American Free Trade Agreement. However, even with this growth, Mexico's market represented only 0.5 percent of Canada's merchandise exports. For the year 2000 compared to 1999, the largest gains in exports to Mexico were in agricultural, fishing and automotive products. For imports, Canada's purchases of automotive products, and machinery and equipment, from the same country were higher in 2000, leading to an overall increase of

26.5 percent. Mexico is Canada's fourth largest supplier of goods, accounting for 3.4 percent of overall merchandise imports.

### Exports Benefited from High Energy Price

Much of the increase in the value of merchandise trade for the year 2000 was driven by higher energy prices. The Bank of Canada's U.S. dollar energy price index soared by 53 percent from 78.2 in 1999 to 119.5 in 2000. The direct impact prompted energy exports upwards by 76.8 percent on a yearly basis, while energy imports rose by 65.8 percent, adding to the increases in other major traded commodities. The volume of energy traded was also up sharply in 2000 for both exports and imports.

### Robust Demand for High-tech Products Heightened Canada's Trade

Price effects aside, merchandise exports in 2000 rose by 10.4 percent and imports by 12.9 percent over 1999, led by trade in high-tech products, given the higher demand from all sectors of the Canadian economy. Against the backdrop of the steep price reduction of computer and computer-related equipment in the global market, the value and volume of exports of high-tech products<sup>1</sup> still jumped by 30 percent and 29 percent, respectively in 2000.

### Transportation Topped Growth in Services Trade

The expansion in services trade in 2000 was smaller than in merchandise trade and performance among the major services components. Except for government services, all other services categories rose on a year-over-year basis, particularly transportation. Reflecting the strength in merchandise trade, exports of transportation services led by air transport— rose by 13.8 percent during the year, its second highest increase in 10 years. Imports of transportation services rose by 14.4 percent in 2000, mostly due to water transport.

### Acquisitions a Key Factor in Flows of International Direct Investment

Acquisitions of Canadian companies played an important role in the flow of FDI into Canada for the year 2000. The same factor was also responsible for higher CDIA, pushing two-way direct investment flows to \$155 billion, up by 143 percent from the previous year. By industry, outward and inward direct investments were largely geared to the energy and metallic minerals, machinery and transportation equipment industries. A substantial amount of investment from the EU countries added to the usually high level of investments from the United States.

<sup>1</sup> High-tech products include: aircraft; engines and parts; office machines and equipment; televisions; telecommunications and related equipment; and other miscellaneous products, based on Statistics Canada's publication entitled *Canadian International Merchandise Trade*. Balance of Payments data, in current and constant dollars, available from this source are used in this section of the report.