

Intra-firm Trade between Canada and the U.S.

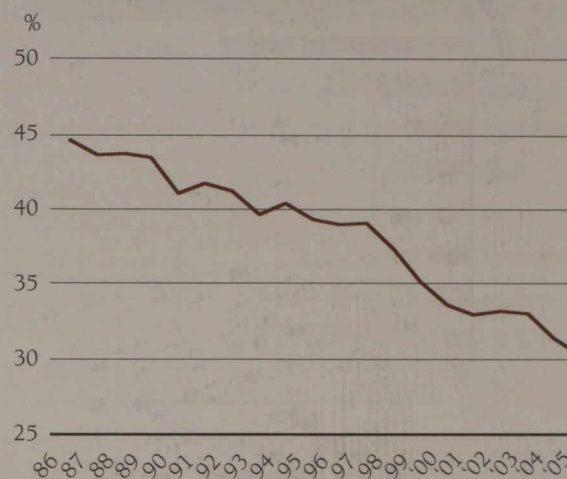
In 2005, the latest year for which data is available, 30.3 percent of Canada-U.S. trade in goods was intra-firm, down from almost 45 percent in the late 1980s. Canada also has among the lowest shares of intra-firm trade among the U.S.'s major developed-country trading partners. This reflects the fact that much of Canadian direct investment in the U.S. is in financial services and other sectors that would not be expected to result in much intra-firm trade in goods. It also suggests a high level of comfort of Canadian exporters in the U.S. market and *vice-versa*.

Intra-firm trade is trade that takes place between related firms operating on both sides of the border. In the case of Canada and the U.S., there are six types of intra-firm trade:

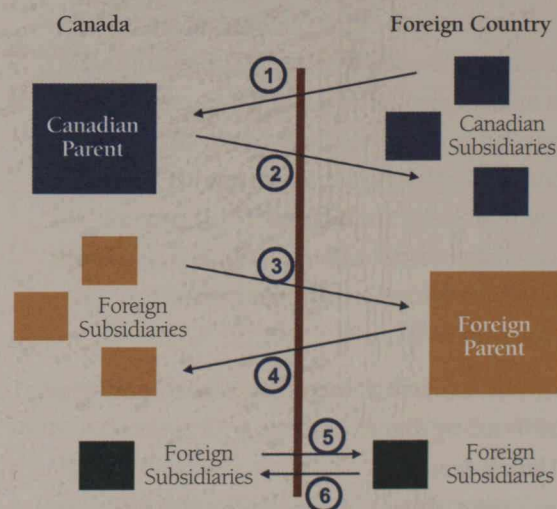
- (1) Imports by the Canadian parent from its U.S. affiliate;
- (2) Exports from the Canadian parent to a subsidiary in the U.S.;
- (3) Exports from a U.S. subsidiary operating in Canada back to its parent company in the U.S.;
- (4) Imports by that affiliate from its U.S. parent;
- (5) Exports from a subsidiary in Canada of a foreign parent (not Canadian or U.S.) to an affiliate of the same company in the U.S.; and,
- (6) Imports by a foreign (not Canadian or American) affiliate from its counterpart in the U.S.

Data limitations prevent us from measuring the trade between foreign affiliates from third countries (types 5 and 6 listed above).¹

Share of Canadian Trade with the U.S. that is Intra-firm



Source: Office of the Chief Economist, DFAIT
Data: U.S. BEA



As of 2005, 30.3 percent of Canada-U.S. trade, or roughly US \$153.4 billion, was intra-firm. Some 34.0 percent of Canadian exports were intra-firm, but a much lower 25.2 percent of

¹ Data comes from the U.S. Bureau of Economic Analysis and covers the Operations of Foreign Multinationals in the U.S. and U.S. Multinationals Abroad.