

## I. MERCHANDISE TRADE

The high degree of economic uncertainty in the global economy in 2001 was generally unfavourable for Canada's exporters: economic growth eased steadily throughout the year, investment spending declined, and prices for key commodity exports, such as metals and chemicals, fell markedly. In 2001, the value of Canada's merchandise exports fell by 2.4 percent to \$412.5 billion, led by declines in exports to Japan, the United States and the EU. Meanwhile, Canada imported goods worth \$351 billion, down 3.4 percent from \$363.3 billion in 2000, as a result of widespread declines in imports from Canada's major trading partners other than the EU. This resulted in a record merchandise trade surplus of \$61.5 billion, an increase from \$59.3 billion in 2000.

### The Direction of Trade in 2001

The share of Canada's merchandise exports to the United States edged down to 85 percent in 2001, after rising steadily over the last decade to a peak of 85.1 percent in 2000. As Japan again slid into recession in 2001, that country's share in Canada's merchandise exports declined further, reaching 2.3 percent. In 2001, the declines in the share of the United States and Japan were mirrored by an increase in the shares of the European Union and of the rest of the world.

**Table 4: Shares of Canada's Merchandise Exports (percent) 1971-2001**

	1971-1980	1981-1990	1991-2001	1998	1999	2000	2001
U.S.	67.7	74.1	81.2	82.6	84.7	85.1	85.0
EU	11.5	7.8	6.0	5.8	5.3	5.2	5.3
Japan	5.8	5.5	3.6	3.0	2.6	2.4	2.3
ROW	14.9	12.6	9.2	8.6	7.4	7.2	7.4

Source: Statistics Canada, CANSIM. Table 228-0001: "Merchandise Exports on a Balance of Payments Basis by 64 Major Groups and by 6 Principal Trading Areas based on the Standard Commodity Classification."

### Review of export performance by major partner economies and regions in 2001

#### *The United States*

As set out in detail above, market conditions in the United States worsened in 2001, after the longest peacetime economic expansion dating from early 1991. According to the U.S. National Bureau of Economic Research, the authority in dating recessions and expansions, the U.S. economy lapsed into recession in March 2001. For 2001 as a whole, growth in the U.S. economy moderated to 1.2 percent, from 4.1 percent in both 1999 and 2000. Business investment in plants and equipment fell sharply in 2001, reducing U.S. demand for imports of machinery and equipment from Canada.

- ◆ The value of business investment in equipment and software in the United States fell by 6.5 percent in 2001, reflecting declines in both price and volume.
- ◆ Two-way cross border shipments were interrupted by intensified security measures implemented in the aftermath of the September 2001 terrorist attacks.

In this environment, Canada's exports of goods to the United States declined by 2.4 percent in 2001 after a robust gain of 16.3 percent in 2000. Exports to the United States represented 85 percent of the goods total in 2001, down marginally from 85.1 percent in 2000.