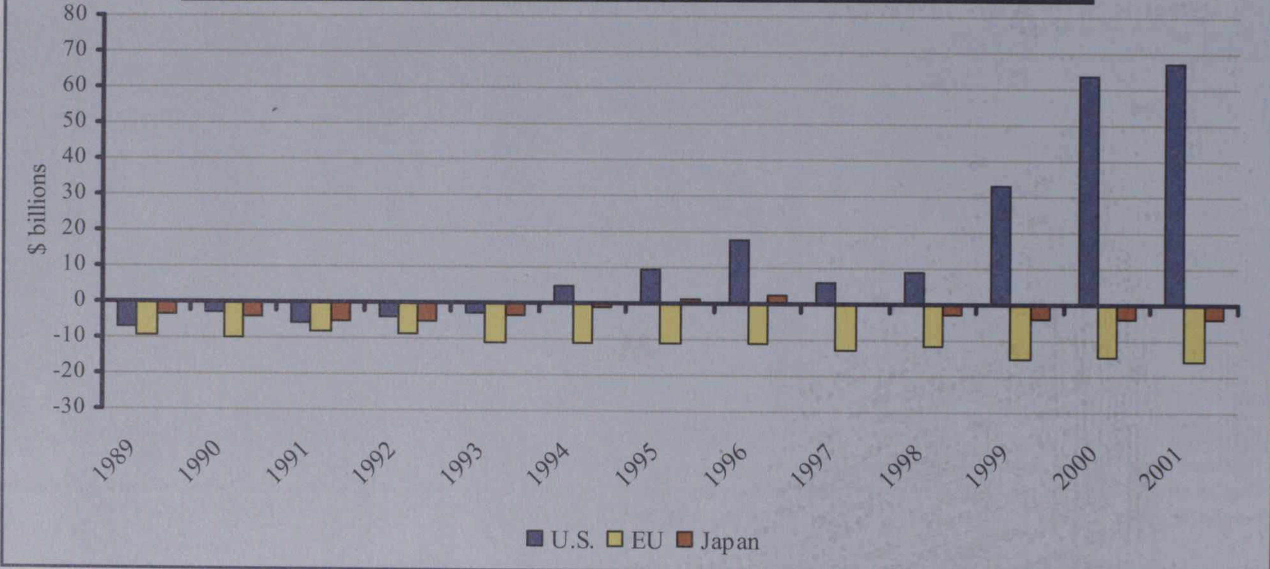
had a brief period of current account surpluses during the period 1995-1997, but these turned into deficits of $3.2 billion in 1998, widening to $4.2 billion in 1999, before narrowing to $4.1 billion in 2000 and $4 billion in 2001. Canada's current account deficit with countries other than the United States, the European Union and Japan rose slightly in 2001, to $17.6 billion from $17.5 billion the previous year.

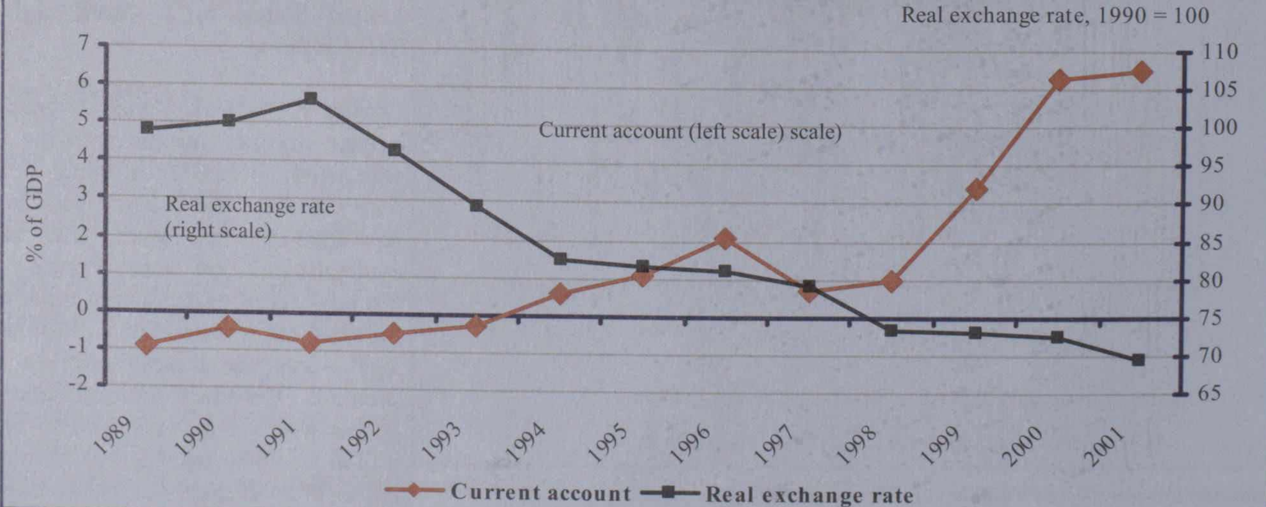
As can be seen from Figure 12, the improvement in Canada's bilateral balance with the U.S. from deficit to surplus since 1994 was associated, among other things, with the depreciation of the Canadian dollar in real terms over this period;[17] other factors, such as the stronger economic expansion in the United States over the years and the FTA/NAFTA, were also important.

Figure 11: Current Account Balance with Major Trading Partners, 1989-2001



Source: Statistics Canada, *Canada's Balance of International Payments*, Catalogue no. 67-001-XPB, 4th Quarter 2001

Figure 12: Canada's Real Exchange Rate vis-à-vis U.S. Dollar and Current Account Balance with the U.S., 1989-2001



Sources: Statistics Canada, *Canada's Balance of International Payments*, Catalogue no. 67-001-XPB, 4th Quarter 2001.
Bank of Canada, *Banking and Financial Statistics*.

[17] In Figure 12, Canada's real exchange rate vis-à-vis the U.S. is calculated as the price of Canadian goods (measured in U.S. dollars) in terms of the price of U.S. goods (as the term "real" implies). This series it calculated as the U.S. dollar value of the Canadian dollar multiplied by the Canadian consumer price index and divided by the U.S. consumer price index. The results, converted to an index with 1990 = 100, show that in 2001 the real price of a bundle of Canadian goods in terms of that of the U.S. has come down to 70 percent as much as that in 1990.