

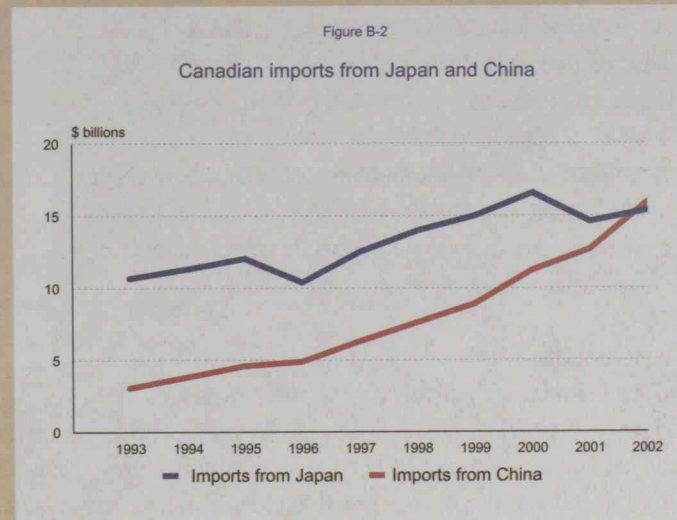
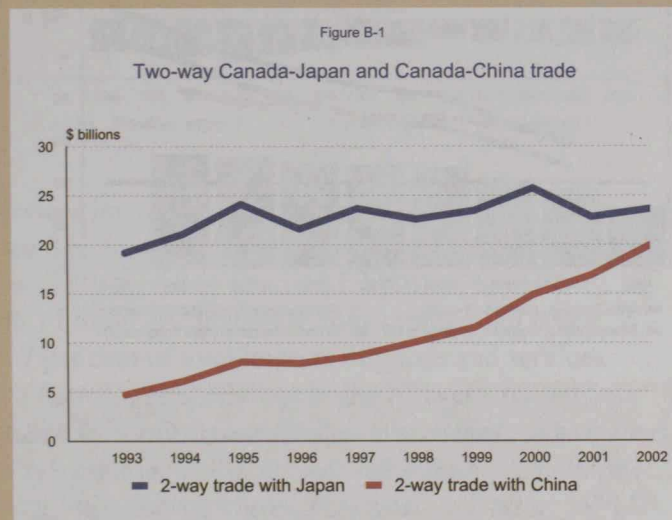
BOX B: WHO IS NUMBER TWO?

Canadian producers of goods buy and sell their products domestically and abroad. This special feature examines the issue of who is our second largest "partner" in this merchandise trade. The first part of this feature will look at international trade while in the second part, a domestic element is introduced to give a full picture of Canadian international trade performance.

Offshore trade

After the United States, Canada trades more internationally with the European Union than with any other trading partner. However, comparisons of any other single country with respect to the EU are not totally compelling, since the EU is an agglomeration at present of 15 countries, albeit with a common trade policy. So which individual nation is Canada's second largest trading partner?

The answer to the above question depends upon what one is measuring. We see from Figure B-1 below that if one looks at total, or two-way trade, defined as the sum of total imports and total exports, Japan is Canada's second largest trading partner. Until only very recently, this question was very straightforward because Japan was both Canada's second largest export destination and its second largest source of imports after the U.S. However, over the 1990s, China has been narrowing the gap; over the course of the year 2002, China has overtaken Japan as Canada's second largest supplier of imports (Figure B-2). Thus, the answer to which individual country is our second largest trading partner depends on whether one is asking about exports, or about imports, or about two-way trade.



So what if we step back to look at something more comparable to the European Union to see who is number two? Alas, there is no other bloc of countries with a single trade policy organized in quite the same way as the EU, so there is nothing quite comparable to the EU. So what if we step back to look at the continent of Europe (as recorded by Statistics Canada¹) and compare it against the other continents? Who is our second largest trading partner in this case?

As it turns out, Europe and Asia have been vying for the position of second-largest over much of the previous decade with Asia appearing to earn the second place on the imports side and, at least for 2002, also squeaking in just ahead of Europe on the exports side (Figures B-3 and B-4). So who is our second largest trading partner? It could well be argued that it is Asia!