

The Greatest Trade in the World

The Canada-United States Free Trade Agreement governs the largest two-way trade in the world. In 1989, the year the agreement took effect, trade in goods and service transactions* totaled more than \$206 billion, 24 percent higher than in 1987.

Canada Is the United States' Best Customer

In 1989 the United States exported over \$105 billion worth of goods and service transactions to Canada, 38 percent more than it exported to Japan and more than its total exports to the United Kingdom and West Germany combined.

The United States sold Canada, a country with 26.2 million people, \$79.7 billion worth of goods. Japan, with a population almost five times as great as Canada's, bought \$43.7 billion, 45 percent less. The 12 member states of the European Community, which have a combined population 12 times as great as Canada's, bought \$84.6 billion from the United States, only 6 percent more than Canada bought.

Service transactions account for a quarter of the world's trade, and the United States is the world's leading exporter of services. Canada is one of its best customers. In 1989 the United States provided Canada with over \$25 billion worth of services and other non-merchandise, an increase of 21 percent over 1987. Canada furnished the United States with almost \$12 billion worth of service transactions in 1989, an increase of 22 percent in two years.

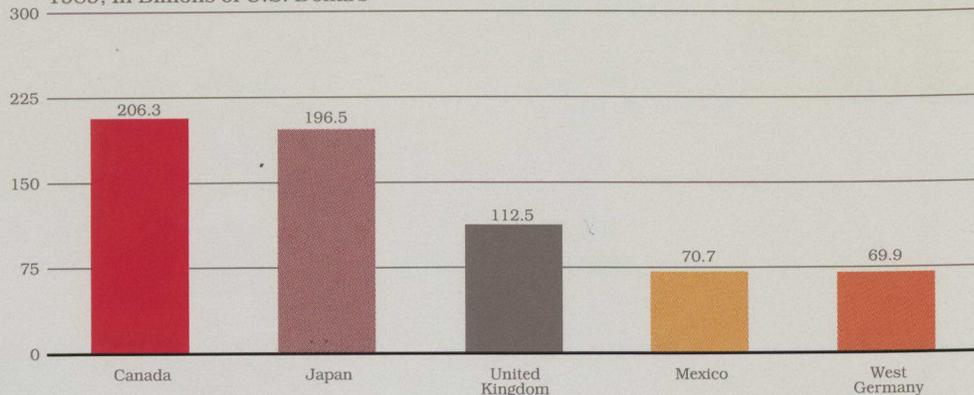
The Disappearing Trade Deficit

The most comprehensive way of reporting trade exchanges is current account, which includes the balance of trade in goods, service transactions and other payments. Since World War II, the balances between Canada and the United States have shifted back and forth, with the United States having a favorable balance most often. In 1985, the U.S.'s current account balance with Canada was a negative \$5.6 billion. Since then, the deficit has been declining, and in 1989 the United States had a surplus of \$3.5 billion, 1.7 percent of total trade.

*Service transactions, or non-merchandise trade, include professional services, travel, royalties and license fees, interest, dividends and other investment income.

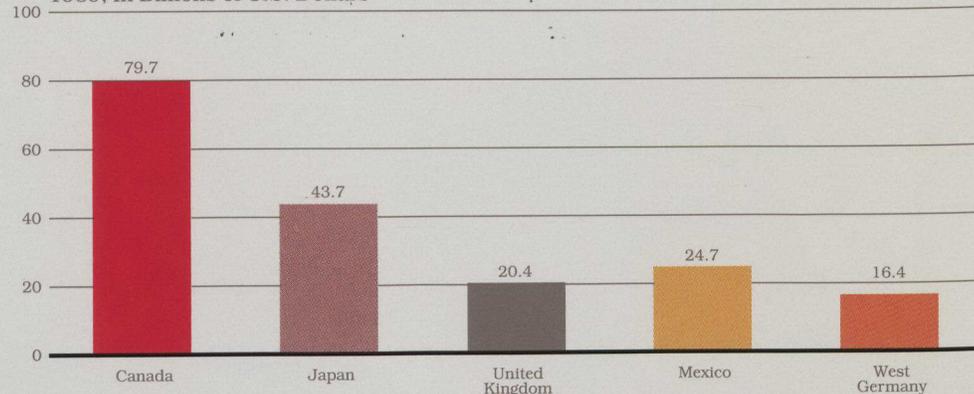
U.S. Merchandise & Non-Merchandise Trade

1989, In Billions of U.S. Dollars



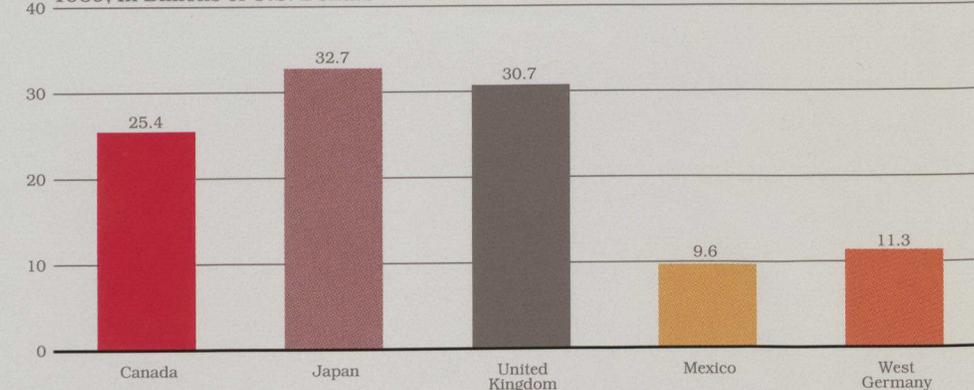
U.S. Merchandise Exports

1989, In Billions of U.S. Dollars



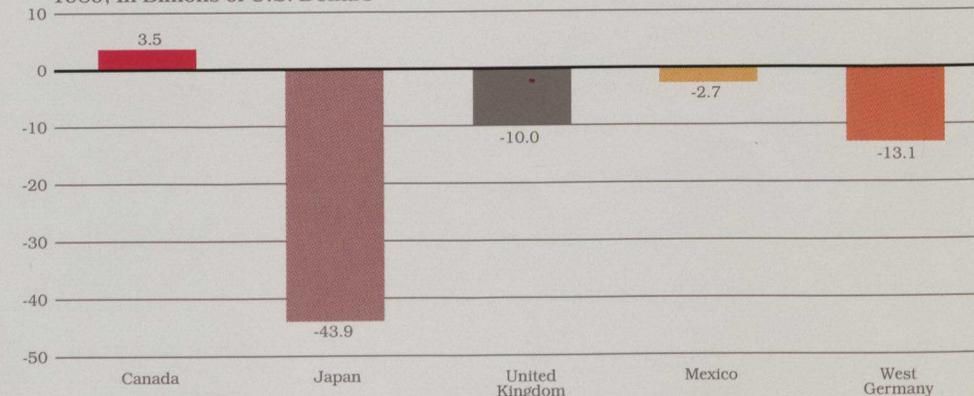
U.S. Non-Merchandise Exports

1989, In Billions of U.S. Dollars



U.S. Current Account Balances

1989, In Billions of U.S. Dollars



Except where otherwise noted, all figures are in U.S. dollars. Statistics Canada figures have been converted to U.S. dollars at the rate of 1.1841, the average for 1989.

Source for the above graphs: Bureau of Economic Analysis, U. S. Department of Commerce