- The value of Canada's merchandise exports and imports of high-tech products rose at a very rapid pace in recent years (Box B). In 2000, Canada's high-tech exports increased by 30 percent and imports by 26.2 percent, as measured in constant dollars, substantially outpacing growth in the remaining merchandise trade categories.
- Exports of metals, chemicals and other industrial goods also increased at double-digit rates in 2000, reflecting gains in both prices and volumes.
- Exports of services rose by 8.6 percent in 2000 led by transportation (in support of Canada's growth in merchandise trade) and knowledge-based activity such as commercial services. The overall rate of increase in services exports was smaller than that of exports of merchandise.

Two-way direct investment flows with the world continued at historically high levels, and Canada's net external indebtedness as a percent of GDP declined to the lowest point since the early 1950s.

- FDI flows, whether inward or outward, are beneficial to economic development in Canada (Box D). The flow of FDI into Canada reached a new record in 2000.
- Meanwhile, the flow of Canadian direct investment abroad (CDIA) also established a new record, following an easing in 1999.
- As in 1999, FDI into Canada continued to exceed CDIA in 2000, a reversal of the pattern observed earlier in the 1990s.
- As in recent years, mergers and acquisitions activity accounted for much of the direct investment flows in 2000.
- Canada's net external indebtedness, which had been declining since 1976 as a share of GDP, also declined in terms of absolute value in 2000 for the second year in a row.

Trends

- Trade performance in 2000 capped a decade of exceptional growth, continuing its trend as the principal driver of the Canada's economic growth. Over the period 1990-2000 during which real (inflation-adjusted) GDP grew by 2.5 percent at a compound annual rate, growth was 8.2 percent for real exports of goods and services and 7.4 percent for imports of goods and services.
- The sustained high rate of expansion of trade relative to GDP is indicative of the reorientation of Canada's industrial structure toward sectors of particular strength in the global economy. This reorientation and associated changes are in response to the new opportunities and competitive pressures created by the Canada-U.S. Free Trade Agreement (FTA) and its successor the North American Free Trade Agreement (NAFTA), along with the multilateral reduction of trade barriers pursuant to the agreements reached in the 1986-1994 Uruguay Round of trade negotiations.
- The higher rate of growth of exports over imports during the last decade reflected a combination of the more robust growth in the U.S. economy, the relatively tighter supply situation in the United States, as well as the effects of the decline in the Canada-U.S. bilateral exchange rate over the course of the decade.