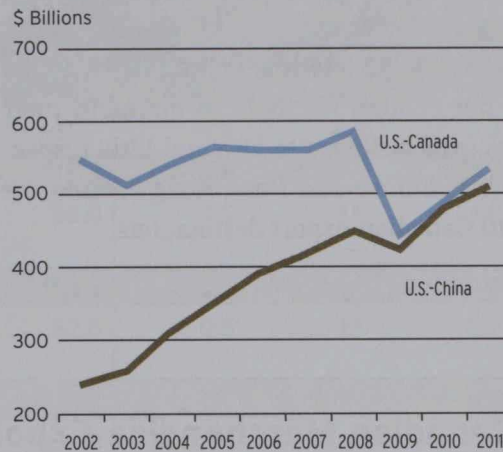


average annual rate of decline of 0.3 percent during the same period. Canada-U.S. trade was on a slight upward trajectory until 2009, when bilateral trade plunged 24.3 percent during the global economic downturn (Chart 1). Bilateral trade has rebounded somewhat in the ensuing years, but, at the end of 2011, had not yet recouped all of the losses sustained during the downturn.

In contrast, U.S.-China trade was on a faster trajectory over the early- to mid-2000s and experienced only a minor setback (down 5.4 percent) during the global recession. After this brief disruption, bilateral trade between these two countries more or less returned to trend starting in 2010; consequently, the U.S.-China trade pair may now be positioned to soon

CHART 1

Bilateral Merchandise Trade 2002-2011



supplant the U.S.-Canada pair as the world's largest bilateral merchandise trade relationship.

Trade by Top Ten Partners

Merchandise Exports

After rebounding 11.0 percent in 2010, Canadian merchandise exports to the world continued to climb in 2011, posting a \$48.5-billion increase (12.1 percent) to \$447.8 billion. This indicates that Canada's trade is on a consistent recovery path, in spite of continuing weakness in the U.S. economy. While total exports remain below their 2008 peak of \$483.5 billion, that record incorporates some resource prices that, in retrospect, may be qualified as inflated. The global recovery from the latest recession is nowhere near complete, with Canada's biggest trading partners in Europe, Japan and North America still experiencing

severe challenges to their economies. Consequently, exports to the United States, Japan, Mexico, Germany, Belgium, France and Italy have yet to recover to their pre-recession levels. Continued and sustained recovery in these economies holds further promise for Canadian merchandise trade recovery. On the other hand, exports to the United Kingdom, China, South Korea, the Netherlands, Hong Kong and Brazil have surpassed their 2008 levels already.

Collectively, Canada's top 10 export markets accounted for 89.7 percent of its merchandise exports in 2011, same as in 2010, but up from 89.1 percent in 2009. Moreover, the concentration of top 20 merchandise exports has grown from 93.3 percent in 2009 to 94.1