

CANADA-USA TRADE AND ECONOMIC RELATIONS

Overview

Canada and the United States are each other's number one customer; the two countries enjoy the largest bilateral trading relationship in the world. Reconciled trade figures for 1987 show that total two-way merchandise trade for the year totalled C\$175.6 billion (US\$132.5 billion), with Canada exporting goods worth C\$96.3 billion (US\$72.7 billion) to the United States and importing US merchandise worth C\$79.3 billion (US\$59.8 billion). The resulting trade surplus in Canada's favour of C\$17 billion (US\$12.9 billion) was the smallest since 1983.

Measured on the basis of their value, the United States absorbed over 76 per cent of all Canadian exports during 1987 and supplied more than 68 per cent of all Canadian imports. For the United States, the value of the merchandise traded represents over 23 per cent of total US exports and slightly more than 17 per cent of all US imports. Measured in US dollars, the total value of bilateral merchandise trade in 1987 increased by almost 6.5 per cent over 1986, with US exports rising 7.5 per cent and imports from Canada going up by 5.5 per cent. (Calculations of percentage increases in the value of bilateral trade flows in Canadian dollars would show significantly smaller rises due to the 4.5 per cent increase in the value of the Canadian currency over its US counterpart during the course of 1987.)

The merchandise trade figures do not in themselves provide a complete picture of the total economic relationship between the two countries. Canada has historically run a deficit on non-merchandise trade, including services, transfers and investment income, with the United States. These substantial Canadian non-merchandise deficits traditionally produced a surplus for the United States in the bilateral current account, a trend which was only reversed in 1983.

Statistics Canada figures for 1987 show a surplus on bilateral non-merchandise transactions in favour of the US of C\$11.3 billion (US\$8.5 billion), with Canadian non-merchandise payments worth C\$26.6 billion (US\$20.1 billion) and receipts worth C\$15.3 billion (US\$11.6 billion). Using these numbers, the value of the Canadian current account surplus with the United States for 1987 was approximately C\$5.7 billion (US\$4.4 billion). This surplus in Canada's favour is equal to just over 2.6 per cent of the value of all bilateral merchandise and non-merchandise trade for 1987, a year in which total two-way transactions were worth C\$217.5 billion (US\$164.2 billion). The bilateral current account is, therefore, roughly in equilibrium.