

largely in the form of mergers and acquisitions (M&As). There is some indication, however, based on the dramatic fall in FDI flows in 2003, that the growth rate could fall considerably once the complete 2003 investment position data are released.

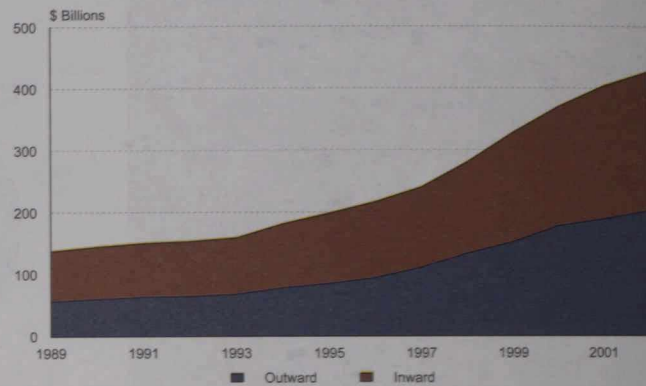
Canadian trade with Mexico remains relatively small, accounting for only 0.7 per cent of total Canadian exports in 2001 and 3.1 per cent of imports.<sup>4</sup> However, Canadian exports to Mexico grew at an average annual rate of 13.1 per cent since 1989 (14.2 per cent since 1994) while imports grew at an even faster 16.7 per cent average annual rate (14.8 per cent) for the same period, significantly outpacing growth with the U.S. It should also be noted that trade with Mexico, particularly Canadian exports to Mexico, may be understated due to transshipments.<sup>5</sup> Thus, while Canada's trade deficit with Mexico grew from \$1.3 billion in 1989 (\$3.7 billion in 1994) to \$9.9 billion in 2001, Mexico also reported a large and growing trade deficit with Canada.

Merchandise trade accounts for the bulk of Canada-Mexico trade. In 2003, Canadian merchandise exports to Mexico reached \$2.2 billion, or three-times greater than their 1989 levels (double that of 1994). Merchandise imports from Mexico exceeded exports by a factor of five, reaching \$12.2 billion by 2003. Furthermore, growth in imports has vastly outstripped growth in exports having increased nearly seven-fold since 1989 (more than doubled since 1994).

The Prairie Provinces; Alberta, Saskatchewan and Manitoba, however, greatly outpaced national growth in exports to Mexico. Exports by the Prairies were more than 800 per cent higher in 2003 than in 1989. This was driven almost entirely by exports of agricultural products as well as by processed food, beverage and tobacco products. By 2003, more than 80 per cent of exports from the Prairies to Mexico belonged to this category.

Figure E-6

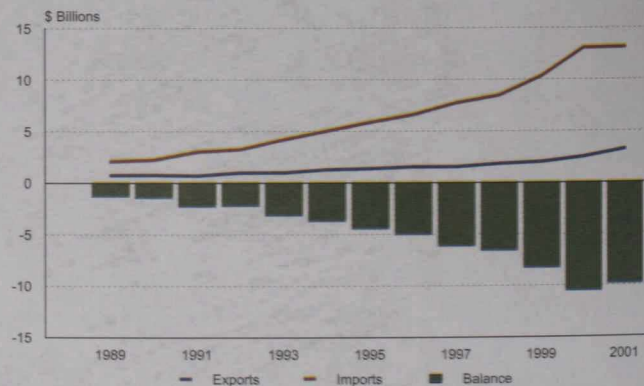
## Canada-U.S. FDI Stocks



Data: Statistics Canada, International Investment Position

Figure E-7

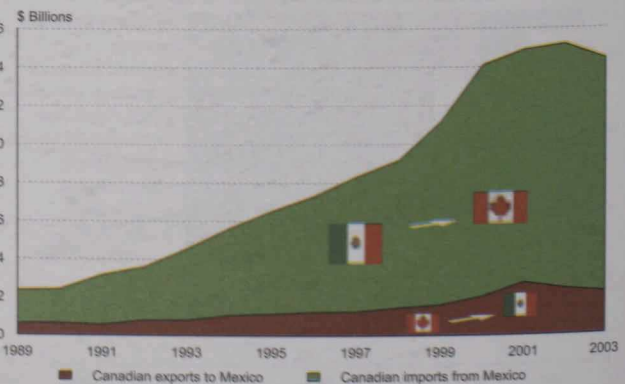
## Canada-Mexico Trade in Goods and Services



Data: Statistics Canada

Figure E-8

## Canada-Mexico Merchandise Exports &amp; Imports



Data: Statistics Canada, Customs Basis