main exports are electrical and electronic products, transportation equipment, and paper and paper products. Both provinces have done well in the high-technology computer and software industries.

For Ontario and Quebec, the United States is by far the most important export market. Thus, maintaining and improving access to this market is a priority issue. Particular problems include the border delays that emerged following the September 11 terrorist attacks, as well as trade actions taken by the U.S. in a number of sectors, such as softwood lumber. The need for business people to easily gain temporary entry permits for the United States is also an important issue.

The opening of markets under the NAFTA and the WTO has generated new opportunities for domestic producers and services providers. Meanwhile, efforts to open markets continue at the bilateral, regional and multilateral level. This regional focus section outlines some important achievements in reducing barriers to exports from Ontario and Quebec and to identify some of the remaining obstacles that need to be addressed.[2]

ONTARIO

Overview

With 11.6 million people, Ontario is Canada's most populous province. Its share of Canada's GDP for 2000 was 40.6%, and it is Canada's leading manufacturing province, accounting for 53.4% of total national manufacturing shipments in 2001.

A strong economic foundation is helping Ontario weather the current downturn in the world economy. The prospects for a return to healthy and sustainable economic growth remain solid. Ontario has a history of strong growth. In 2000, real GDP grew at a rate of 5.3%. Although the rate of GDP growth slowed to 0.9% in 2001, it is projected to rise by 1.4% in 2002. The Ontario economy is expected to rebound in 2003 with GDP growth of 4.8%.[3]

Ontario has a diverse and well-balanced economy. A vibrant agri-food industry injects $25 billion annually into the provincial economy. The manufacturing sector accounts for a quarter of the total provincial output and is supported by a strong and growing services sector.

[2] Figures provided by Ontario and Quebec.

[3] Projected GDP figures from the Conference Board of Canada.

The top three manufacturing industries are transportation equipment, electrical and electronic products, and food processing. Knowledge-intensive industries such as computers, software and medical technologies are among the fastest-growing. The Ontario economy is shifting toward export-oriented, higher value-added industries.

International Trade

Ontario's export performance from 1996 to 2000 was extremely positive. Exports of goods and services in that period increased by over 45%, from just under $158 billion to over $229 billion. The United States remains Ontario's largest foreign trading partner, absorbing 93.4% of the province's exports in 2000. After the U.S., Ontario's five largest trading partners in 2000 were the United Kingdom, Mexico, Germany and China/Japan (tied).

Within the United States, Michigan was the province's most important export destination, accounting for over 32% of exports, with New York in second place at almost 9%. Ontario's goods exports are heavily weighted toward manufactured goods, particularly automobiles and auto parts, which accounted for 41% of total merchandise exports in 2000. Overall, export-related activity represents approximately 50% of the province's GDP.

Ontario agri-food exports to the end of the third quarter of 2001 continued to grow, reaching $5.7 billion, an increase of 13.4% over the corresponding period of 2000. The rise in third-quarter exports was led by increased exports of beverages, confectionery, meats, processed fruit, and fresh and processed vegetables.

Top Ontario agri-food exports include beverages, value-added grain products (e.g. baked goods, cereals, mixes/doughs, milled products and pasta), vegetables and meats (including poultry and pet food). To the end of the third quarter of 2001, 86% of Ontario agri-food exports went to the United States. Other top markets include the European Community, Japan and Asia.

While goods exports account for the bulk of Ontario's international exports, services exports are also important, totalling almost $27 billion in 2000 and representing over 10% of total exports. The province's key sectors for services exports include business and computer services; finance, insurance and real estate services; accommodation services and meals; and wholesaling margins.