

Employment by Canadian foreign affiliates expanded from 764,000 in 1999 to 942,000 in 2004; this 178,000 increase in employment constituted a 23.3 per cent expansion over the five year period. The largest increase in employment from 1999 to 2004 was registered by the EU (79,000; of which 31,000 was in the United Kingdom) followed by the US (up by 52,000). The geographic distribution of employment among foreign affiliates is similar to that of sales.

The value of foreign affiliate sales as a share of the value of Canadian exports of goods and services is shown in Figure 2. For the world, sales by foreign affiliates represented 75.5 per cent of Canadian exports in 2004. As Canadian firms are much more likely to serve the U.S. market through exports than through affiliate sales, this share was only 56.6 per cent in the U.S. However, foreign affiliate sales play a more important role among Canadian firms serving more distant markets, with foreign affiliate sales in 2004 at a level twice the value of exports to the EU and nearly three times the value of exports to non-OECD countries.

Figure 3 shows the market distribution of exports of goods and services compared to the combined value of exports and foreign affiliate sales. In 2004, the U.S. accounted for 78.5 per cent of Canadian world exports, but only for 70.0 per cent of the combined value of exports and foreign affiliate sales. On the other hand, the EU accounted for only 7.6 per cent of exports, but as much as 13.3 per cent of the combined value of

FIGURE 2
Foreign Affiliate Sales as Share of Total Exports
(Per cent of Goods and Services Exports, 2004)

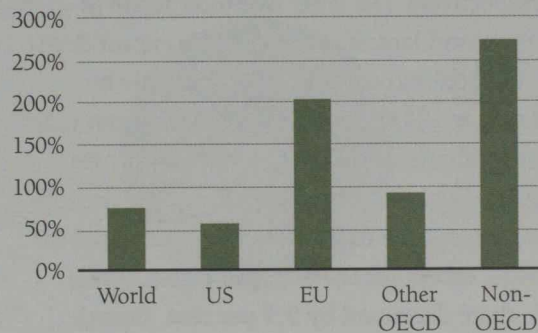
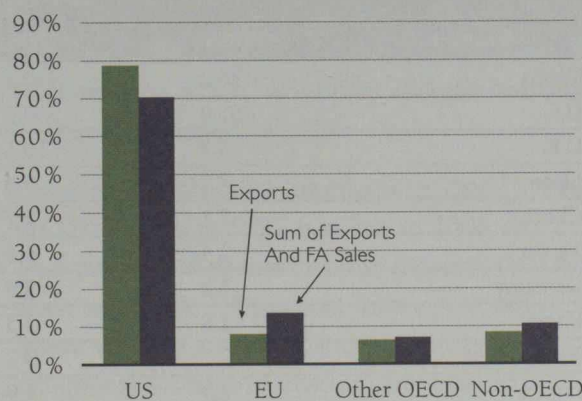


FIGURE 3
Market Distribution of Exports vs Combined Exports and Sales
(Per cent of World, 2004)



exports and foreign affiliate sales. Corporations with foreign affiliates tend to export to their affiliates, but the magnitude of such sales is a function of a number of factors, including the industrial sector in which the company is operating.

Merchandise trade⁴

In 2006, 81.6 per cent of merchandise exports were destined for the U.S., reflecting a decline of 1.8 per cent in exports to that country. By comparison, only

2.3, 2.1 and 1.7 per cent of merchandise exports were bound for the U.K., Japan and China, respectively. The EU-25 as a whole was the destination for 6.6 per cent of Canada's exports. Among the top-ten

⁴ The term "merchandise trade" is used to refer to commodity trade on a Customs basis in contrast with "goods trade" that refers to trade on a Balance of Payments basis. The Customs data is produced on an internationally harmonized commodity classification system (HS) that is broken down into chapters numbered from 1 to 99. Chapters 98 and 99 of the HS system represent special transactions and are excluded from the following analysis.