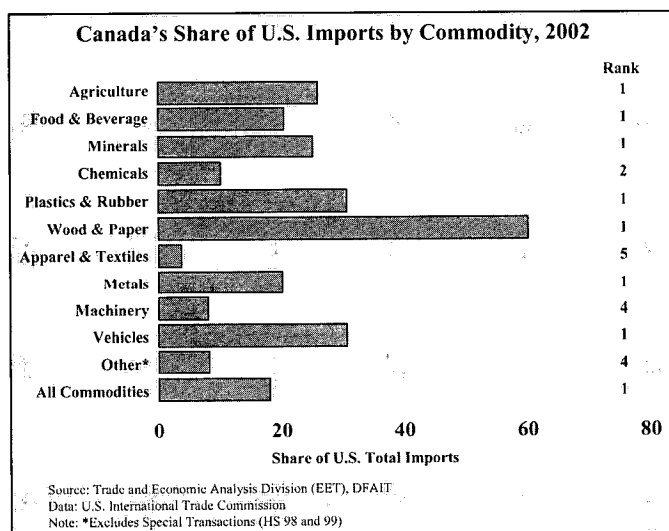




Canada is also an important source for U.S. imports used in the production process or directly consumed. Just under one-fifth of total U.S. imports come from Canada. Over 60 percent of U.S. Wood & Paper imports came from Canada in 2002, despite the softwood lumber dispute between the two countries. Canada is the most important source of U.S. imports in seven out of the eleven major commodity groupings and ranks among the top five sources in the remaining four commodity groups.



These trade numbers also reflect the high degree of integration between Canadian and U.S. industry. Over 40 percent of U.S. trade with Canada is intra-firm – trade occurring between parts of the same firm operating on both sides of the border. The automotive industry is a prime example of this type of trade. Every vehicle assembled in North America now contains nearly US\$ 1,250 of Canadian-made parts.<sup>7</sup>

<sup>7</sup> Scotia Economics, *Canadian Auto Report*, January 29, 2003.