

## CANADA-USA TRADE AND ECONOMIC RELATIONS

### Overview

Canada and the United States are partners in the largest, most complex, bilateral economic relationship in the world. The United States supplies over 68 per cent of our imports and takes more than 76 per cent of our exports, accounting for more than twice as much of Canada's trade as the rest of the world combined. Canada buys over 23 per cent of US exports and supplies more than 17 per cent of US imports, making it the second largest source of US imports after Japan. Total two-way merchandise trade in 1987 totalled almost \$176 billion and had already topped \$173 billion in the first eleven months of 1988. US exports to Canada were up 12 per cent, to \$80 billion, and Canadian exports to the United States were up six per cent, to \$93 billion, over the same period in 1987. The merchandise trade balance to the end of November, 1988 stood at \$13 billion in Canada's favour. This was down from a Canadian surplus of \$16 billion at the same time in 1987.

The merchandise trade figures do not tell the whole story. Non-merchandise trade, including tourism, services, investment income and transfers, is a rapidly growing element of bilateral economic and trade relations. Through the first nine months of 1988, the latest period for which figures are available, the United States enjoyed a non-merchandise trade surplus of \$8 billion based on receipts from Canadian sources of \$22 billion and payments of \$14 billion. During this same period Canada had a surplus on merchandise trade of just over \$11 billion, with exports to the United States worth \$76 billion and imports valued at \$65 billion. Taken together, these figures yield a total current account surplus in Canada's favour of just under \$3 billion, an amount equal to about 1.7 per cent of the total value of all merchandise and non-merchandise transactions for the first three quarters of 1988. The bilateral current account continues, therefore, to be in virtual equilibrium. (Totals for merchandise and non-merchandise trade have been rounded off in all cases.)

Canada and the United States are major investors in each other's economy. Canada supplies 20 per cent of total foreign direct investment in the United States, an amount that represents 72 per cent of Canadian investment abroad and makes it the fourth largest foreign investor in the US economy. At year end 1987, Canadian direct investment in the US was estimated to be \$43.3 billion. The United States continues to be Canada's largest external source of capital, with US direct investment in Canada worth \$75.2 billion at the end of 1987. This amount