

Imports from the U.S. fell marginally in the course of 2002, down 0.1 per cent, or about \$133 million. Gains were led by automotive products (up \$6.4 billion), consumer goods (up \$1.0 billion), and agricultural and fishing products (up \$918 million) which were more than offset by declines in machinery and equipment (down \$6.8 billion) and in industrial goods and materials (down \$1.7 billion). The increase in automotive products reflects the high degree of integrated production and the just-in-time inventory practices of this sector. All key components of the machinery and equipment sector were down — electrical/electronic goods - down \$2.8 billion, mechanical products - down \$1.8 billion, aircraft transportation equipment - down \$800 million, and medical/scientific/technical equipment - down \$642 million.

The European Union

At 4.3 per cent of total exports and 11.2 per cent of total imports, the EU remains a major trading partner for Canada. Nearly two-thirds of Canadian exports to the EU are in machinery and equipment (36.2 per cent) and in industrial goods and materials (29.1 per cent). Forestry products are a distant third-in-importance, at 15.6 per cent of exports to the region, followed by agricultural and fishing products (8.6 per cent) and consumer goods (4.0 per cent). Machinery and equipment (37.9 per cent) and industrial goods (19.9 per cent) also dominate the Canada-EU import categories, but are not as prevalent as on the export side. Consumer goods (17.1 per cent), energy products (9.8 per cent) and automotive products (8.4 per cent) round out the top 5 import categories.

Merchandise exports to the EU were down \$1.3 billion, or 7.2 per cent, to just over \$17.0 billion in 2002, while merchandise imports from the region increased \$476 million, a rise of 1.2 per cent, to \$40.0 billion. Thus, the bilateral Canada-EU merchandise trade balance deteriorated by \$1.8 billion for the year, to \$23.0 billion.

The fall in Canadian exports to the EU was led by machinery and equipment. Aircraft and other forms of non-automotive transportation equipment accounted for about half the \$984 million decline in this category of exports. Forestry exports to the EU decreased by \$232 million in 2002, led by declines in pulp (down

\$214 million) and lumber (down \$32 million). Exports of agricultural and fishing products fell \$193 million as gains by oilseeds (up \$58 million) were not enough to offset declines in vegetables, roots, and tubers (down \$129 million) and in cereals (down \$76 million). Energy products exports to the EU also fell \$176 million in 2002.

Partly offsetting the losses were increased exports of industrial goods and materials, which advanced \$173 million last year, of consumer goods, which increased \$44 million, and of automotive products, which grew \$35 million.

On the import side, increased imports from the EU were led by consumer goods, which increased \$1.0 billion to \$6.6 billion, automotive products (up \$574 million), and industrial goods, up almost \$400 million. Largely offsetting the gains in imports from the EU were decreased imports of energy products (down \$1.4 billion) and of machinery and equipment (down \$264 million).

Japan

Exports to Japan edged down nearly \$44 million in 2002 as exports of forestry products (principally lumber (down \$152 million), pulp (down \$100 million), and paper and paperboard (down \$58 million)) were offset by small, albeit widespread, gains in most other sectors. Along with forestry, energy products also registered a decline in exports to Japan — down \$28 million.

Imports from Japan increased by over three-quarters of a billion dollars in 2002, as declines in machinery and equipment (down \$537 million) and consumer goods (down \$134 million) were more than offset by gains in industrial goods (up \$220 million) and automotive products (up \$1.2 billion). The machinery and equipment declines were concentrated in electrical/electronic products (down \$382 million), medical/scientific/technical equipment (down \$277 million), mechanical machinery and equipment (down \$125 million), and aircraft (down \$95 million). Gains in other sub-categories helped limit the declines.

Overall, the merchandise trade deficit with Japan in 2002 widened \$814 million to \$7.1 billion.