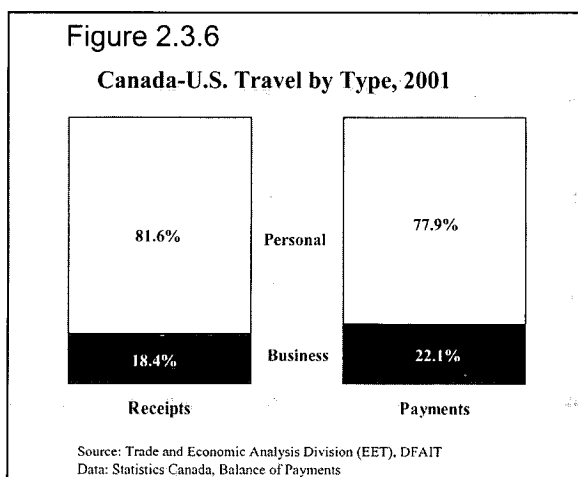


Travel accounts for the second largest share of our services trade with the U.S., behind commercial services. The share of travel exports (Americans travelling to Canada) at 30.4 percent, however, has dropped considerably from 34.9 percent in 1989. The share of travel imports (Canadians travelling to the U.S.) has dropped even more, declining from 37.2 percent of our service imports in 1989 to 26.5 percent in 2001. Not surprisingly, Canada's travel trade balance with the U.S. has fallen significantly as well, from \$2.6 billion to \$0.7 billion and now stands at only 3.2 percent of our total travel trade. 1986 was the last time that Canada had a positive travel balance with the U.S. The declining value of the Canadian dollar relative to the U.S. dollar over this period was likely the primary factor contributing to the decline in Canada's travel deficit, which has made Canada a more attractive destination for U.S. travellers and increased the cost of travelling to the U.S. for Canadians.

These trends are supported by the declining share of travel spending by Canadians in the U.S. relative to destinations elsewhere in the world, which fell from 68.5 percent to 59.1 percent between 1989 and 2002. This has not translated, however, into a dramatic rise in the share of travel to Canada by Americans, which fell slightly from 61.7 percent to 61.6 percent.



18.4 percent of Canada's travel receipts with the U.S. are from business travel, while 22.1 percent of payments are accounted for by business travel. While this distribution has fluctuated over time, it has not trended in one direction or the other since the data started to be collected in 1990. One might have suspected that there would have been a rise in the share of business travel given the dramatic growth in trade and foreign direct investment between the two countries over this period, but this does not appear to have been the case.

The share of Transportation in Canada's total services trade has increased only slightly since 1989. The share for exports increased from 16.2 percent in 1989 to 16.8 percent in 2002 while that for imports increased from 13.2 percent to 13.7 percent over the same period.

There is a strong relationship between transportation trade and merchandise trade. As can be seen from the adjacent chart, Canada's transportation trade with the U.S. closely matches that of merchandise trade with merchandise trade growth slightly outpacing transportation trade.