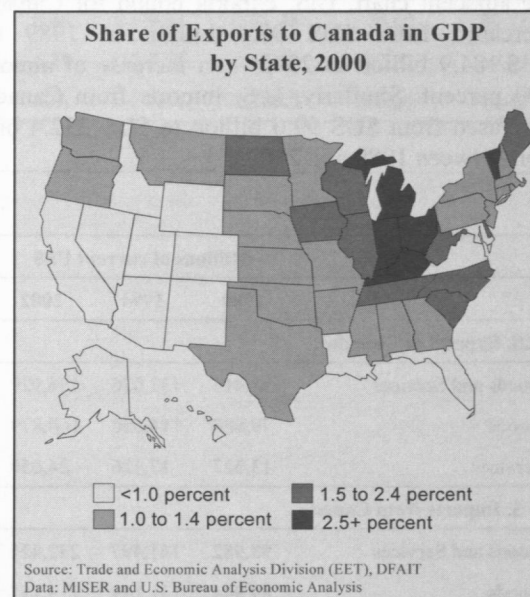
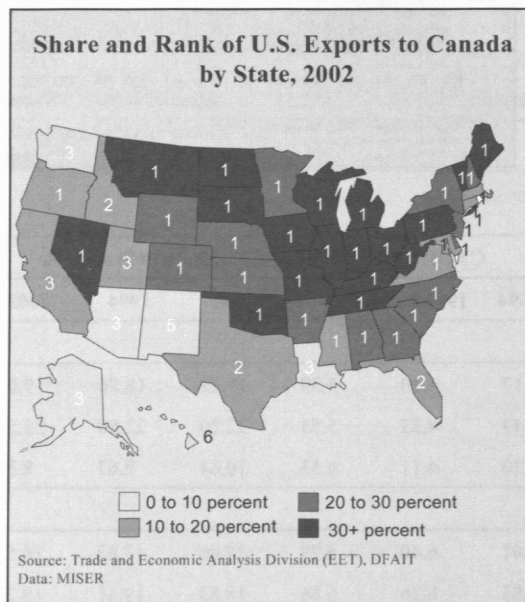


Most Canada-U.S. trade is merchandise trade. Merchandise trade accounted for 87.0 percent of total U.S. exports to Canada in 2002 and 91.7 percent of total imports from Canada in that year. Merchandise trade growth between the two countries also outpaced growth in services trade, albeit by a small margin. Canada-U.S. trade is much more dependent on merchandise trade than the U.S.'s trade with other countries, as is shown by Canada's low share of U.S. services trade – 8.3 percent for exports in 2002, compared to 23.6 percent of merchandise trade. A similar trend is observed for imports where Canada accounts for only 8.0 percent of U.S. services imports v. 18.3 percent for merchandise.

Canada is also, by far, the largest single market for U.S. goods – taking about the same value of U.S. exports as the entire fifteen-member European Union, despite the fact that Canada is one-tenth its economic size. In 2002, Canada was the most important destination for merchandise exports from thirty-nine out of the fifty U.S. states. Canada is the most important destination of exports for most of the states along the border as well as the north-east and central U.S., but ranges as far south as Missouri and Nevada. Twenty-nine states sent more than one-quarter of their exports to Canada in 2002.

Only 9.6 percent of U.S. GDP is accounted for by exports – exports to Canada account for 1.9 percent of U.S. GDP with 1.5 percent of U.S. GDP is attributable to merchandise exports to Canada. There is a significant variation by state, however. Only five states rely on Canada for more than 2.5 percent of their GDP, four of which are clustered just below the Great Lakes. The level of dependence on the Canadian market declines as one moves away from this region.



Canada is the most important destination for U.S. exports in eight out of eleven major commodity groupings; only in Agriculture and Minerals, where Canada is a major exporter, and Apparel & Textiles ranking lower – but still among the top three.