

- ◆ The cumulative stock of CDIA rose by 10.5 percent in 2001 to \$389.4 billion. The U.S. accounted for 51 percent, followed by the United Kingdom at 9.8 percent. The EU as a whole accounted for 19.6 percent in 2001, down from 21.2 percent in 2000.
- ◆ With respect to FDI, the U.S. accounted for 67 percent of the \$320.9 billion cumulative stock in 2001. The EU's share fell to 23.8 percent in 2001, from 27.4 percent in 2000.
- ◆ Canada's net external indebtedness, which had been declining rapidly since 1976 as a share of GDP, was little changed at \$203 billion in 2001, after falling in absolute value in 1999 and 2000.

**Trends**

- ◆ Trade in 2001 sustained a mild decline following a decade of exceptional growth. Over the period 1990-2001, during which real (inflation-adjusted) GDP grew by 2.5 percent at a compound annual rate, growth was 6.8 percent for real exports of goods and services and 5.3 percent for imports of goods and services.
- ◆ The sustained high rate of expansion of trade relative to GDP is associated with the reorientation of Canada's industrial structure. This reorientation was encouraged by the new opportunities and competitive pressures created by the Canada-U.S. Free Trade Agreement (FTA) and its successor, the North American Free Trade Agreement (NAFTA), as well as by the multilateral reduction of trade barriers pursuant to the agreements reached in the Uruguay Round of trade negotiations.
- ◆ The higher rate of growth of exports over imports over the last decade reflected principally the more robust rate of economic growth in the United States than in Canada.

**Table 1: Trade as a percent of GDP, 1989-2001**

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Total exports</b>	26.5	25.4	25.6	24.9	26.8	29.9	33.8	37.1	38.1	39.2	41.0	42.8	45.3	43.1
<b>Goods</b>	23.4	22.3	22.3	21.5	23.3	26.1	29.5	32.7	33.4	34.3	35.6	37.4	40.0	38.1
<b>Services</b>	3.1	3.2	3.3	3.4	3.6	3.9	4.2	4.4	4.8	4.9	5.4	5.3	5.2	5.1
<b>Total imports</b>	25.8	25.5	25.5	25.5	27.3	30.0	32.6	34.0	34.2	37.3	39.2	39.5	40.3	38.1
<b>Goods</b>	21.6	21.1	20.7	20.5	22.0	24.3	26.9	28.3	28.3	31.4	33.1	33.5	34.4	32.4
<b>Services</b>	4.2	4.4	4.8	5.1	5.3	5.7	5.7	5.7	5.8	5.9	6.1	6.0	5.9	5.7

Source: Statistics Canada, *National Income and Expenditure Accounts*, Catalogue no. 13-001-PPB, 4<sup>th</sup> Quarter 2001.  
 Statistics Canada, *Canada's Balance of International Payments*, Catalogue, no. 67-001-XPB, 4<sup>th</sup> Quarter 2001.

**The dominant position of the United States in Canada's trade remained in 2001<sup>2</sup>**

- ◆ In 2001, two-way trade in goods and services with the United States dropped by 3.1 percent, mainly as goods trade was down by 3.3 percent while services trade fell by just 0.7 percent. The interruption of Canada-U.S. trade flows associated with the terrorist attacks in September 2001 affected imports more substantially than exports, as Canadian imports are more dependent on road and air transport than are exports.
- ◆ In Canadian dollar terms, two-way trade in goods and services fell to \$675.7 billion in 2001 from \$697.2 billion in 2000. On a daily basis, two-way trade in goods and services with the U.S. edged down to \$1.85 billion in 2001 from \$1.91 billion in 2000. In U.S. dollar terms, two-way trade in goods and services with the U.S. averaged US\$1.20 billion per day in 2001, a decline from US\$1.28 billion daily in 2000. The somewhat steeper decline in this U.S. dollar measure reflects a 4.1 percent drop in Canada's exchange rate from 67.33 cents U.S. in 2000 to 64.58 cents U.S. in 2001.
- ◆ As exports declined less substantially than imports, Canada's surplus in goods and services trade with the United States rose to a new record of \$89.5 billion in 2001, from \$85.3 billion in 2000. This improvement reflected both an expansion of the traditional bilateral surplus in merchandise trade, as well as a substantial reduction in the long-standing deficit in services trade.

<sup>2</sup> A review of regional trade between Canada's provinces and U.S. states is shown on pp. 10-14 of the *Annual Report on Canada's State of Trade*, Department of Foreign Affairs and International Trade, May 2001.