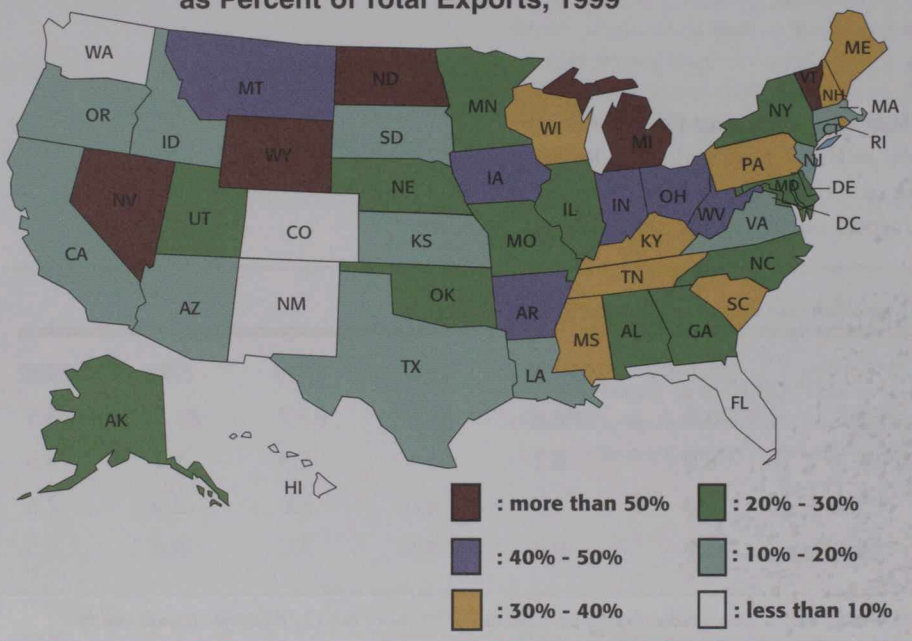
Box A: Regional Merchandise Trade between Canada's Provinces and U.S. States[4]

Although the Canadian economy is small relative to those of the major industrialized countries, Canada is the most important trading partner of the United States both in terms of the market for U.S. exports and the source of U.S. imports. However, the pattern of trade varies considerably among the major regions in the two countries as a result of product complementarities and distance. For a number of U.S. states, trade with Canada is even more remarkable than national figures suggest. For instance, trade with Canada accounted for more than 50 percent of exports by Vermont, Wyoming, North Dakota, Michigan and Nevada (Figure A1). Vermont's dependence on trade with Canada is the highest among the states, with about 88 percent of the exports destined for Canada. By region, the U.S. Midwest is the most dependent on Canada for its exports.

Figure A1: U.S. States Exports to Canada as Percent of Total Exports, 1999



Source: Author's tabulation based on data from U.S. Department of Commerce.

Distribution of Trade by Region

As the bulk of Canada-U.S. trade is concentrated in certain regions, the national volume of trade is, by and large, affected by economic developments in these particular regions. For this reason, it is important to assess the pattern of interregional trade between the two countries. The regional distributions of Canada-U.S. two-way merchandise trade are shown in Figures A2 and A3. Canada's trade with the U.S. is mainly dominated by the central region, which consists of Ontario and Quebec.[5] The national share of Western Canada (British Columbia and the Prairies) was higher than that of Quebec, with 21 percent in southbound and 14 percent in northbound trade (Figure A2). The Atlantic provinces accounted for less than 3 percent of total Canada-U.S. two-way trade.

[4] For cost considerations, we use Statistic Canada data over 1995-1999 to illustrate the pattern of trade. Data for trade in goods and services by province for 2000 will be available in October 2001. The Web site version of this report will be updated in October 2001 to incorporate this information.

[5] Ontario represented 57 percent of Canada's exports to the U.S. and 75 percent of Canada's imports from the U.S., whereas Quebec accounted for 18 percent and 10 percent in exports and imports, respectively.