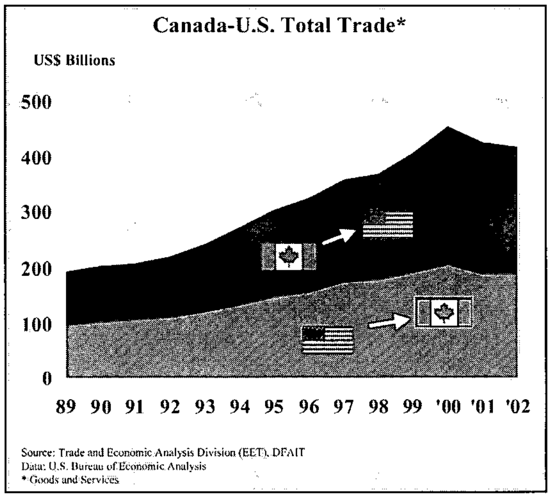
THE IMPORTANCE OF CANADA FOR THE U.S. ECONOMY[6]

Canadians are well aware of the importance of the U.S. economy for Canada; from the high share of exports that go to the U.S. to the importance of U.S. firms in the Canadian economy. The sheer size of the U.S. economy, however, makes it much less reliant on foreign markets in general and on Canada in particular – less than ten percent of U.S. GDP is exported, compared to over forty percent for Canada. The U.S. is also not as tied to any single country. Canada, the U.S.'s most important trading partner, accounts for 19.0 percent of exports and 16.5 percent of imports, compared to 81.6 percent and 69.9 percent of Canadian exports and imports respectively that come from the U.S. The U.S. economy is increasingly linked to its northern neighbour.

Since the implementation of the Canada-U.S. Free Trade Agreement in 1989 and the North American Free Trade Agreement in 1994, there has been a dramatic increase in two-way inter-dependence between the two economies. As can be seen from the adjacent chart, U.S. exports bound for Canada increased from $US 93.4 billion in 1989 to $US 184.9 billion in 2002 – an increase of almost 100 percent. Similarly, U.S. imports from Canada increased from $US 99.0 billion to $US 232.4 billion between 1989 and 2002.



	Millions of current US$			CAGR*, %			Share of World, %		
	1989	1994	2002	1989-94	1994-02	1989-02	1989	1994	2002
U.S. Exports to Canada									
Goods and Services	93,415	132,076	184,929	7.17	4.30	5.39	19.18	18.76	19.03
Goods	79,888	114,650	160,879	7.49	4.33	5.53	22.20	22.80	23.57
Services	13,527	17,426	24,050	5.20	4.11	4.53	10.64	8.67	8.31
U.S. Imports from Canada									
Goods and Services	98,982	141,497	232,421	7.41	6.40	6.79	17.06	17.67	16.51
Goods	89,944	131,149	213,151	7.83	6.26	6.86	18.83	19.61	18.27
Services	9,038	10,348	19,270	2.74	8.08	6.00	8.82	7.85	8.01

* Compound annual growth rate
Source: U.S. Bureau of Economic Analysis, Balance of Payments

[6] This special report is intended to provide a U.S. perspective on Canada-U.S. trade and investment; therefore, all values in this report are stated in U.S. dollars.