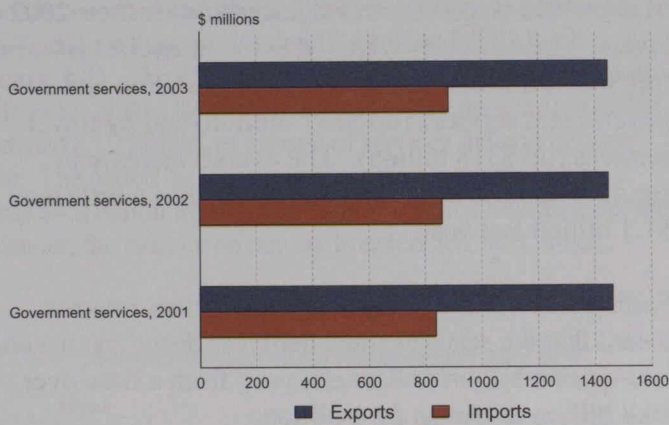


Government services

Government services cover international transactions arising largely from official representation and military activities. They showed a marginal (\$2 million, or 0.1 per cent) decline in exports and a \$22 million (2.6 per cent) increase in imports in 2003. The overall effect was a \$24 million decrease in the trade surplus of this category of services trade, from \$587 million in 2002 to \$563 million in 2003 (Figure 2-5).

Figure 2-5

Government services trade, 2001-2003

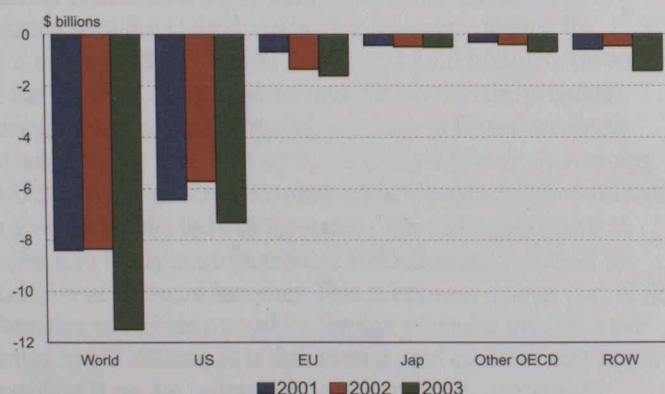


Services trade by region

As is the case for goods, the United States is Canada's principal trading partner for services, accounting for nearly six of every ten dollars of services trade (59.6 per cent). This is as true for exports, where the U.S. share of total services exports is 59.2 per cent, as it is for imports, where the U.S. share of total services imports is 60.0 per cent.

Figure 2-6

Services trade balances by principal regions, 2001-2003



Services trade with the United States

Canadian exports of services to the United States fell \$1.8 billion, or 5.0 per cent, to \$33.4 billion in 2003. Exports of travel services fell \$1.3 billion, accounting for 70 per cent of the decline.

Transportation and government services accounted for the remainder of the fall in services exports to this country, declining \$0.6 billion. Commercial services exports to the U.S. managed a \$0.1 billion increase to partially offset the losses.

Services imports from the U.S. fell by \$143 million, or 0.4 per cent, to \$40.7 billion last year. As was the case on the export side, declines in travel services (down \$116 million) and transportation and government services (down \$40 million) were partially offset by a small (\$13 million) increase in imports of commercial services.

Overall, the services trade balance slipped another \$1.6 billion into deficit, as Canada's services trade deficit with the U.S. expanded to \$7.3 billion last year from \$5.7 billion a year earlier (Figure 2-6)

Services trade with the European Union

Services exports to the EU advanced \$225 million to \$9.5 billion in 2003, a 2.4 per cent increase. Commercial services receipts were up \$444 million (or 10.3 per cent) to account for the gains, while travel services were off by \$228 million (or 8.9 per cent) to account for the setbacks. Transportation and government services exports to the EU were up marginally, by \$8 million, last year.

Services imports from the EU were also up last year, rising \$490 million (or 4.6 per cent) to \$11.1 billion. The bulk of the increases came in commercial services imports, which rose \$398 million, supported by advances in travel services (up \$79 million) and transportation and government services (up \$14 million).

With services imports from the EU rising more than services exports to the EU, the services trade deficit with the EU widened some \$264 million, to \$1.6 billion in 2003.