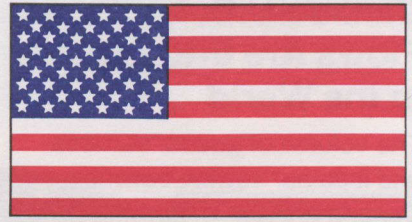


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# Canada-United States THE WORLD'S LARGEST TRADING RELATIONSHIP

December 1994

## Canada-U.S. Trade Flows Are the Largest in the World

The volume of goods, services and income\* flowing between Canada and the United States is the largest two-way trade in the world. In 1993, U.S. trade with Canada totalled more than \$254 billion, almost 19 per cent greater than the U.S. exchange with Japan, its second largest trading partner.

## U.S. Merchandise and Non-Merchandise Trade

*With Leading Trading Partners  
1993, in billions of U.S. dollars*



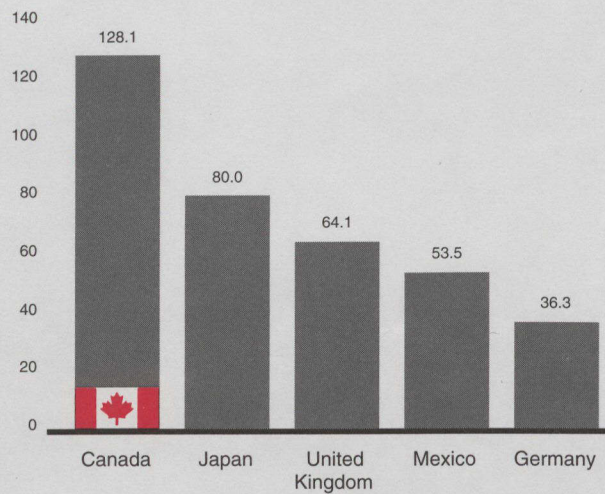
Source: U.S. Department of Commerce

## Canada Is the United States' Best Export Market

In 1993 Canada bought \$128.1 billion worth of American merchandise and non-merchandise, 60 per cent more than Japan bought and twice as much as the United Kingdom bought. In fact, the U.S. exported more to the province of Ontario than it did to Japan. Canada accounted for 17 per cent of U.S. exports to the entire world.

## U.S. Merchandise and Non-Merchandise Exports

*To Leading Trading Partners  
1993, in billions of U.S. dollars*



Source: U.S. Department of Commerce

\* Notes:

1. All figures are in U.S. dollars.
2. Except where otherwise noted, merchandise trade figures are customs basis.
3. Figures for Mexico and Germany are preliminary.
4. The terms goods and merchandise are used interchangeably. Non-merchandise refers to services, such as transportation, royalties and license fees, professional and consulting fees, and investment income such as interest and dividends.

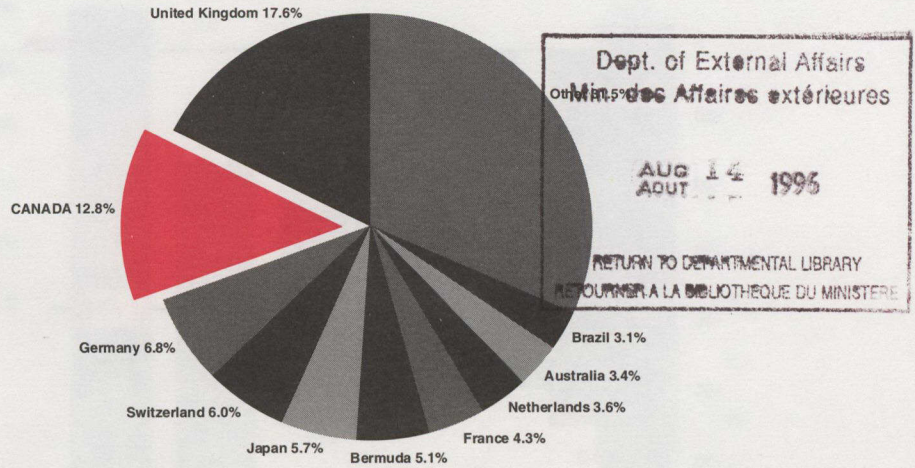
## Canada and the U.S. Invest in Each Other's Future

Investment — both inflows and outflows — is the key to job creation and international competitiveness.

The U.S. had \$70.4 billion invested directly in Canada at the end of 1993, 13 per cent of its total investment abroad. Almost half — 48 per cent — of U.S. direct investment in Canada was in manufacturing. Finance (other than banking), insurance and real estate attracted 17 per cent of the total and the petroleum industry another 13 per cent. The U.S. is by far the largest foreign source of investment in Canada, accounting for 65 per cent.

Canada had \$39.4 billion invested in the U.S. at the end of 1993, making it the U.S.'s fourth largest source of foreign capital. The bulk of Canadian investment in the U.S. was in manufacturing, which accounted for 42 per cent of 1993's yearend total. Almost a third — 31 per cent — was in finance, insurance and real estate, and 6 per cent was in banking.

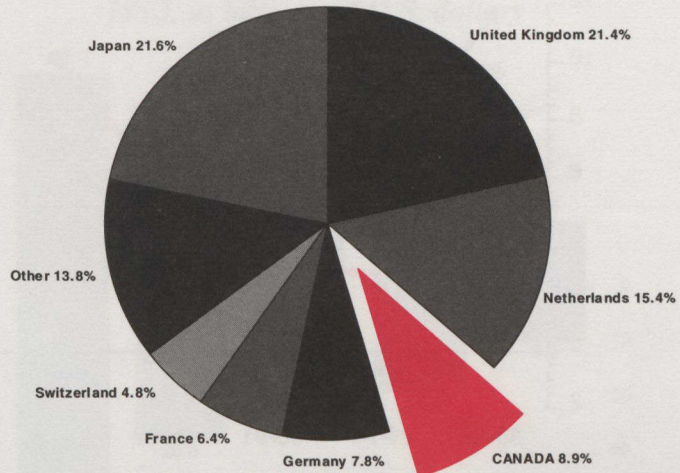
## U.S. Direct Investment Position Abroad\* 1993, shares of host countries



Source: U.S. Department of Commerce

\* On a historical-cost basis at yearend.

## Foreign Direct Investment Position in the U.S.\* 1993, shares of investor countries



Source: U.S. Department of Commerce

\* On a historical cost basis at yearend.

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## Canadians Buy the Most U.S. Goods

The United States sold more goods to Canada in 1993 than to any other country — over \$100 billion worth, up 11 per cent over the previous year. This was more than twice as much as the U.S. sold to Japan in 1993, a country with a population more than four times as great as Canada's 28 million. U.S. merchandise exports to Canada also exceeded sales to the 12 countries of the European Union (with a combined population of 348.6 million), which together bought \$95 billion worth.

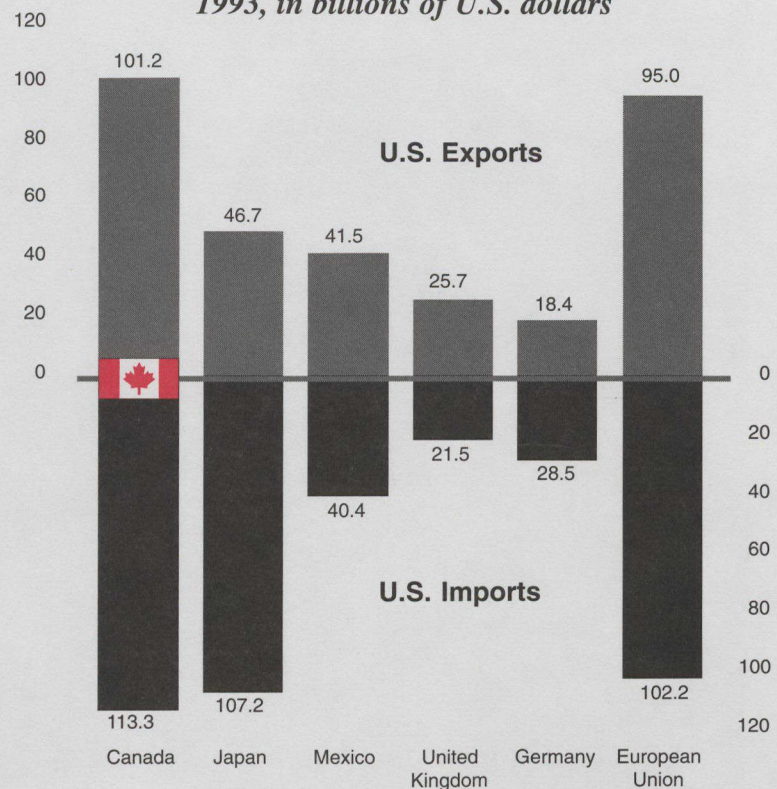
## Canada Buys Its Share of Services

The exchange of services and other non-merchandise transactions is the fastest growing component of world trade. The United States is the world's greatest exporter of services, ranging from transportation to computer software, to banking fees to architectural, financial and other expertise.

Canada is one of the U.S.'s best customers, buying almost \$27 billion worth of non-merchandise in 1993. Of this sum, services accounted for \$16.6 billion, while income from U.S. assets in Canada amounted to \$10.3 billion. Canada provided the U.S. with \$8.9 billion worth of services, and received \$4.2 billion in income on its U.S. assets.

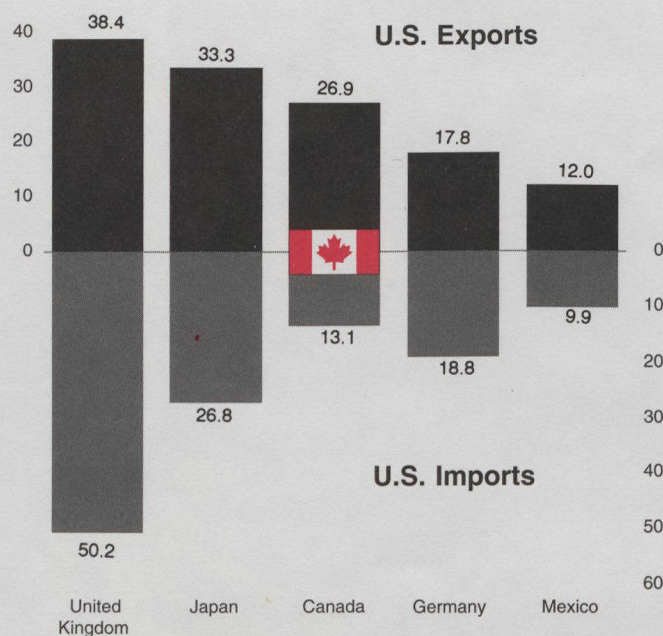
In recent years the U.S. has regularly had a surplus in services trade while Canada has recorded a surplus in the exchange of merchandise.

## U.S. Merchandise Trade With Leading Trading Partners 1993, in billions of U.S. dollars



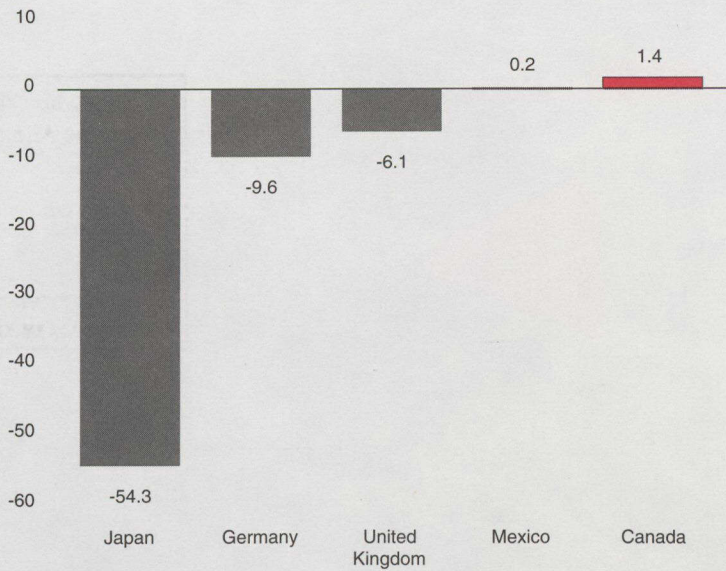
Source: U.S. Department of Commerce

## U.S. Non-Merchandise Trade With Leading Trading Partners 1993, in billions of U.S. dollars



Source: U.S. Department of Commerce

### U.S. Current Account Balances With Leading Trading Partners 1993, in billions of U.S. dollars

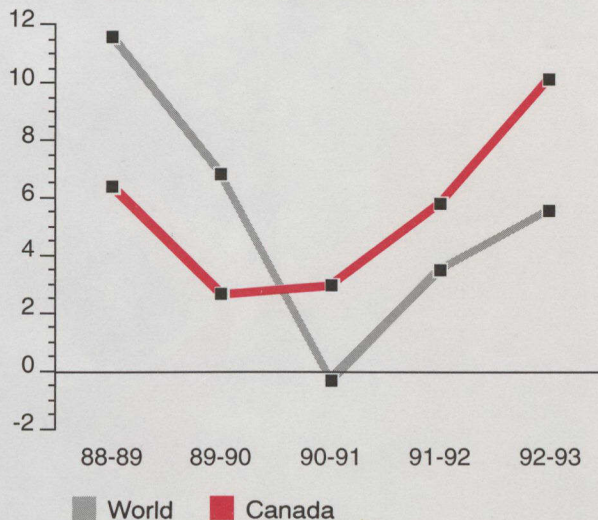


Source: U.S. Department of Commerce

### The Current Account Is Nearly in Balance

Over the decades, the current account between Canada and the United States, the balance of trade in goods, services and income flows, has shifted back and forth. In every year since 1987, the U.S. has had a small surplus in its current account with Canada, ranging from \$1.4 billion in 1993 to \$4.9 billion in 1989, because of its edge in services trade and investment income. This is in marked contrast to the U.S. current account on all its international transactions, which showed a negative balance of \$103.9 billion in 1993.

### Growth in U.S. Trade\* With the World and with Canada 1988-1993, by percentage growth



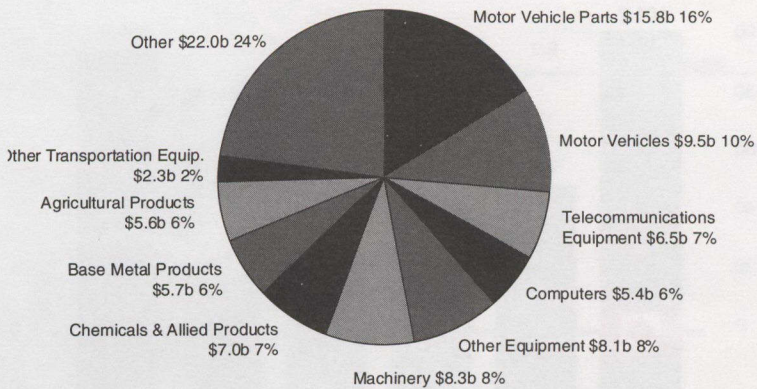
\* Merchandise and non-merchandise

Source: U.S. Department of Commerce

### Canada-U.S. Trade Has Boomed Under the FTA and NAFTA

The Free Trade Agreement (FTA) liberalizing trade between Canada and the United States went into effect on January 1, 1989. Between 1988 and 1993, two-way trade in goods, services and income increased by 31 per cent. The expansion has continued in 1994, the first year of the North American Free Trade Agreement (NAFTA), which brought Mexico into the partnership. After three quarters, U.S. two-way merchandise trade with Canada was up by 12 per cent over the same period in 1993.

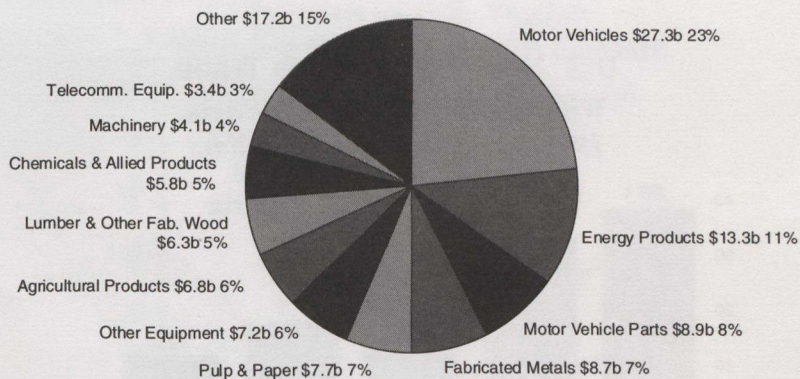
**U.S. Merchandise Exports to Canada**  
*1993, in billions of U.S. dollars\**



\* Converted from C\$ at the average exchange rate for 1993, US\$1=C\$1.2898  
 \* Census basis

Source: Statistics Canada

**U.S. Merchandise Imports from Canada**  
*1993, in billions of U.S. dollars\**



\* Converted from C\$ at the average exchange rate for 1993, US\$1=C\$1.2898  
 \* Census basis

Source: Statistics Canada

**Canada and the U.S.  
 Have A Mutually  
 Beneficial Exchange**

Since the Canada-U.S. Auto Pact was signed in 1965, the two countries have been involved in an integrated and mutually profitable exchange of autos and auto parts. In 1993, motor vehicles and parts accounted for a quarter of the United States' merchandise exports to Canada and 31 per cent of Canada's exports to the U.S.

The U.S. sells Canada a wide variety of other goods, including \$3.1 billion worth of tubes and semi-conductors, \$2.1 billion worth of clothing and textiles, \$1.7 billion worth of books and other printed materials, \$1.7 billion worth of aircraft and parts, \$2.2 billion worth of forest products and \$1.2 billion worth of fruits and vegetables, supporting millions of jobs for American workers and farmers.

Canada helped U.S. industry and consumers meet their energy needs in 1993, providing \$5.3 billion worth of crude petroleum, \$4.5 billion worth of natural gas, \$2.7 billion worth of petroleum and coal products, \$665 million worth of electricity and \$80 million worth of coal. It also helped keep U.S. factories, offices and farms running by providing such goods as industrial and agricultural machinery (\$4.1 billion), office machines (\$3 billion) and sophisticated telecommunications equipment (\$3.4 billion).