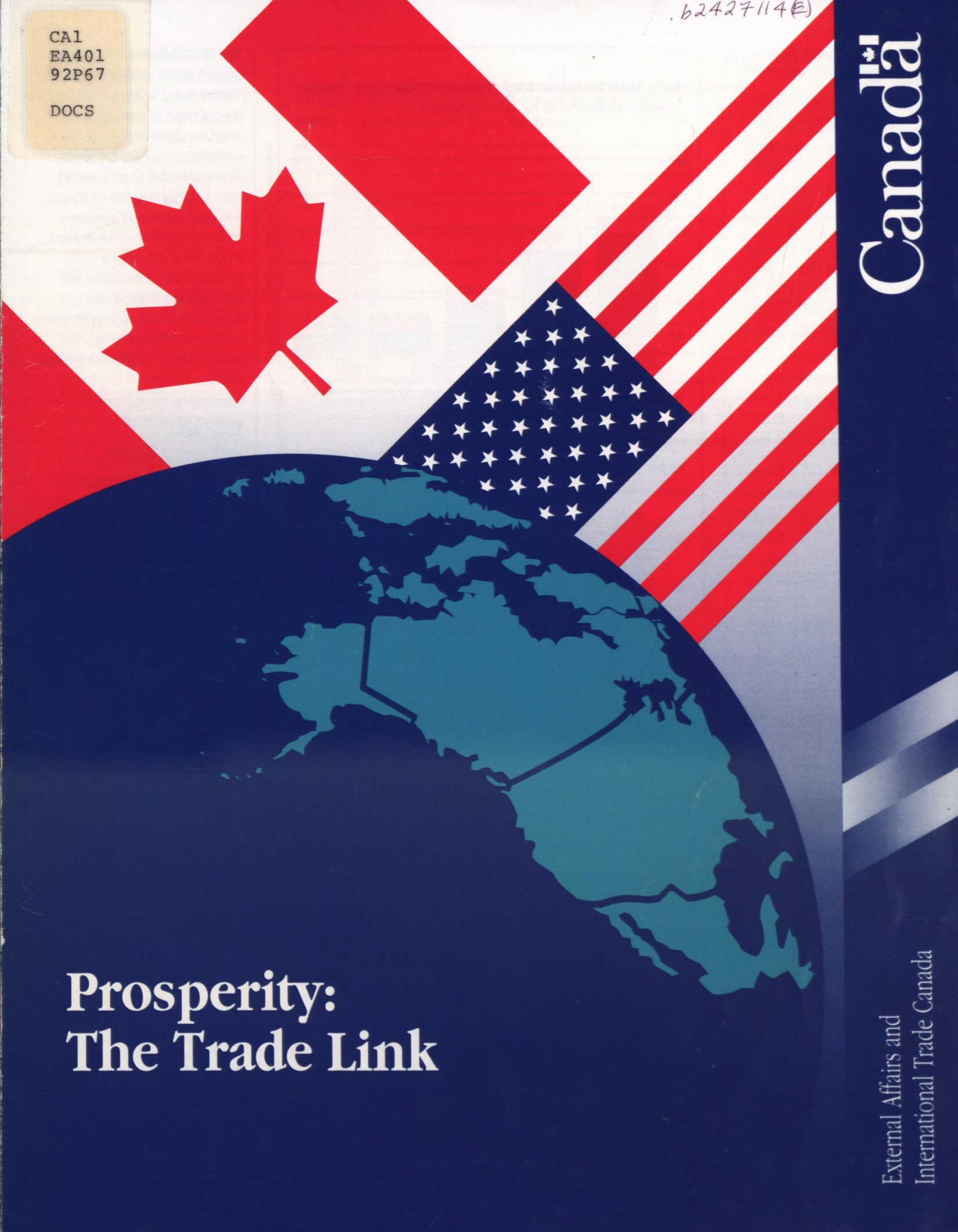


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# Prosperity: The Trade Link

External Affairs and  
International Trade Canada

Canada



## The Greatest Trade in the World

The economic relationship shared by Canada and the United States is underpinned by the Free Trade Agreement (FTA), which applies to the largest two-way trade relationship in the world. In 1990, just two years after the agreement took effect, trade in goods and service transactions\* totalled more than \$212 billion, 28 percent higher than in 1987.

### Canada: Your Best Customer

In 1990 the United States exported more than \$108 billion worth of goods and services to Canada, far more than the U.S. exported to Japan and more than your total exports to the United Kingdom and West Germany combined.

#### Canada

- population: 26.7 million
- purchases from U.S.: \$83.6 billion
- per-capita U.S. purchases: \$3100

#### Japan

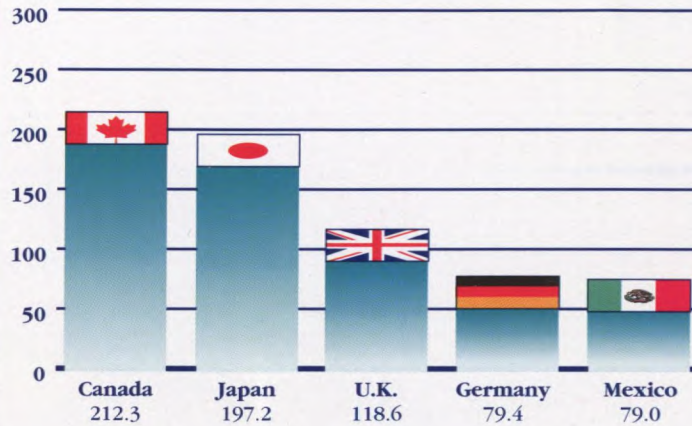
- population: 123.1 million
- purchases from U.S.: \$48 billion
- per-capita U.S. purchases: \$400

#### European Community (12 member states)

- population: 320 million
- purchases from U.S.: \$96.3 billion
- per-capita U.S. purchases: \$300

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

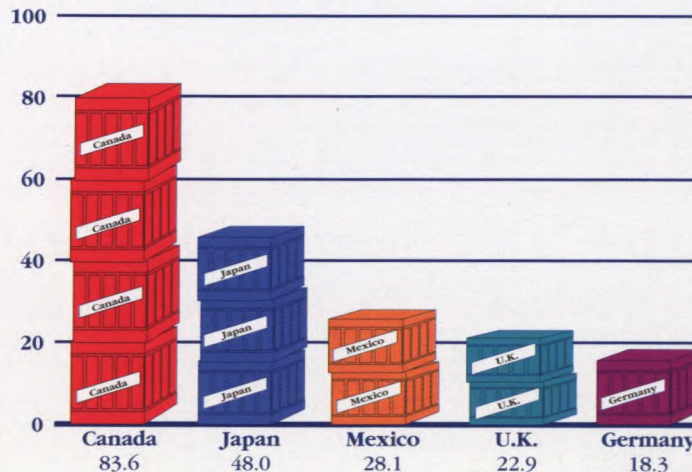
1990 - In Billions of U.S. Dollars



Bureau of Economic Analysis, U.S. Department of Commerce

### U.S. Merchandise Exports

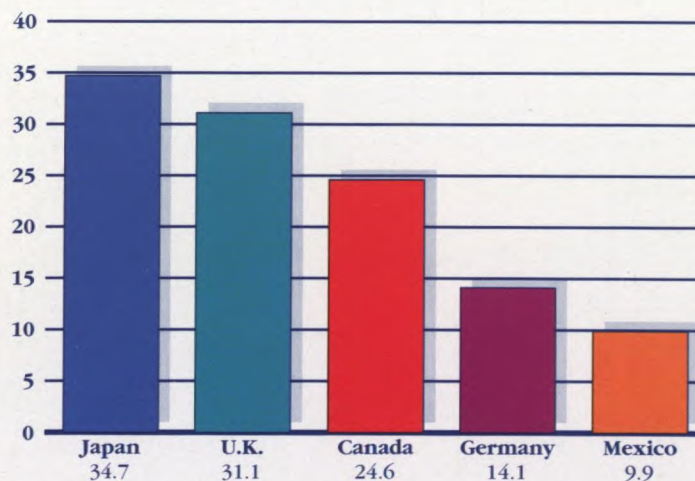
1990 - In Billions of U.S. Dollars



Bureau of Economic Analysis, U.S. Department of Commerce

### U.S. Non-Merchandise Exports

1990 - In Billions of U.S. Dollars



Bureau of Economic Analysis, U.S. Department of Commerce

Service transactions account for a quarter of the world's trade. The United States is the world's leading exporter of services, and Canada is one of your best customers. In 1990 the United States provided Canada with over \$24 billion worth of services and other non-merchandise trade, an increase of 18 percent in the three years since 1987. In turn, Canada furnished the United States with almost \$11 billion worth of service transactions in the same year, an increase of 12 percent in three years.

### Fair and Balanced Trade

The best picture of our trade exchange is available by looking at the current account: the balance of trade in goods, service transactions and other payments between Canada and the U.S. Since World War II, the balances between our two countries have shifted back and forth. In 1985, the United States' current account balance with Canada was a negative of \$5.6 billion, but since then, the deficit has been declining, and in 1990 the United States had a surplus of \$410 million.

\*Service transactions, or non-merchandise trade, include professional services, travel, royalties and license fees, interest, dividends and other investment income.

Except where otherwise noted, all figures are in U.S. dollars. Statistics Canada figures have been converted to U.S. dollars at the rate of 1.1668, the average for 1990.



## Productive Exchanges

The United States and Canada have a mutually beneficial trade in raw materials and manufactured products, technology and skills.

## A Rich Variety of Goods

The production processes of our two countries are extremely interdependent, and goods pass back and forth across the border in various stages of assembly.

This is especially true for autos and auto parts, which account for 27 percent of U.S. merchandise exports to Canada and 32 percent of imports. The two nations also sell each other chemicals and petrochemicals, aircraft and parts, aluminum, precious metals and coal.

Computers, scientific instruments and other high-tech equipment account for 8 percent of U.S. exports to Canada. The U.S. sells fruits, vegetables, meat and coal as well. You buy telecommunications equipment, newsprint and other forest products, crude petroleum and natural gas from Canada.

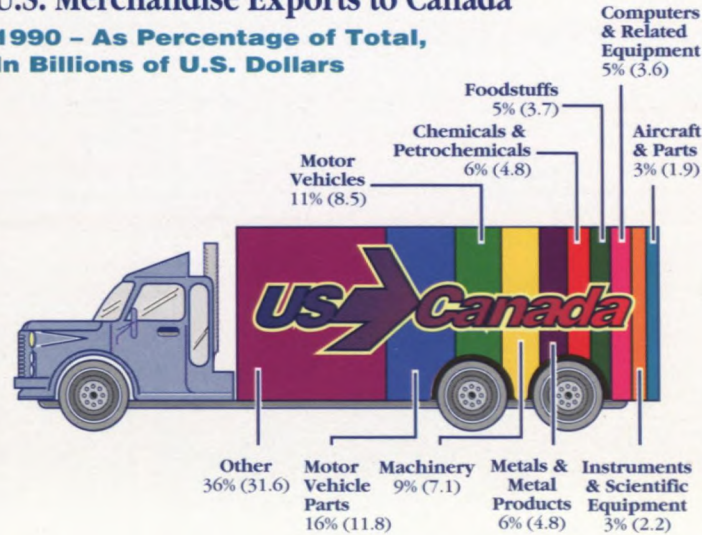
## U.S. Current Account Balances\* 1990 — In Billions of U.S. Dollars



\* The balance of trade in goods, service transactions and other payments

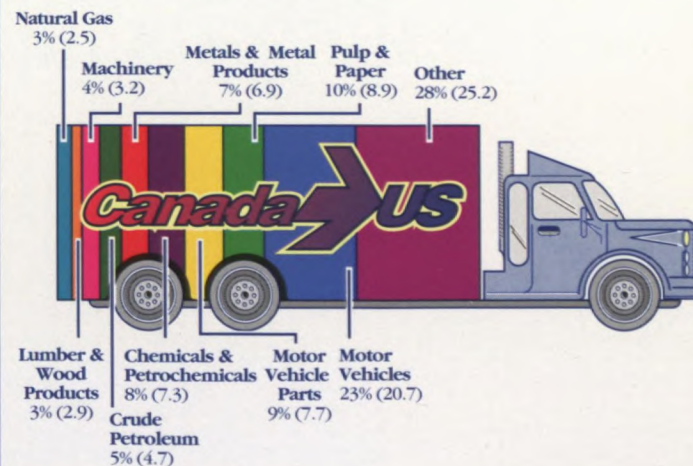
Bureau of Economic Analysis,  
U.S. Department of Commerce

## U.S. Merchandise Exports to Canada 1990 — As Percentage of Total, In Billions of U.S. Dollars



Statistics

## U.S. Merchandise Imports from Canada 1990 — As Percentage of Total, In Billions of U.S. Dollars



Statistics Canada

## Travel — Businessmen and Tourists

The United States is the favourite destination for Canadian travellers, and more Canadians crossed our common border in 1990 than ever before. The number of visits was 16.5 million, an increase of 7.4 percent over the previous year. Spending by Canadian tourists amounted to \$5.7 billion, a jump of 17 percent over 1989 and representing about 14 percent of tourist dollars spent in the U.S. by foreign travellers. (This does not include airfare or the millions of dollars spent by Canadians on one-day trips to the United States.)

Canada is the second most popular foreign destination for American travellers, after Mexico. In 1990, millions of Americans stayed at least one night in Canada, and spent about \$3 billion, not including airfare.

## Trade & Investment = Jobs & Prosperity

Trade and investment are inter-related ingredients of a country's prosperity. The Canada-U.S. Free Trade Agreement recognizes the connection and provides for a more liberal investment climate between the two countries.

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## Trade Creates Jobs

Canada-U.S. trade supports an estimated two million jobs in each country, in the manufacturing, mining, agricultural and service sectors.

- Five provinces and nearly all 50 states have workers whose jobs depend on the automotive trade. In the United States, the export of motor vehicles and parts to Canada supports some 350,000 jobs, 100,000 in the automotive industry and 250,000 in related industries.
- Canada buys more American-made electronic products than any other country, and its purchases of computers and related equipment support some 63,000 jobs in the electronics industry, plus almost three times as many spin-off jobs.
- Trade with Canada creates jobs all across the U.S.: merchandise exports alone support 100,000 jobs in New England; 165,000 in New York, Connecticut and New Jersey; 130,000 in the mid-Atlantic states; more than 120,000 in California; 87,000 in the other western states; and 280,000 in the South, including 53,000 in Texas.
- Tourism, insurance, banking and financial services and other non-merchandise trade, which made up 18 percent of the total Canada-U.S. exchange in 1989, support thousands more jobs in both countries.

## Travel – Businessmen and Tourists

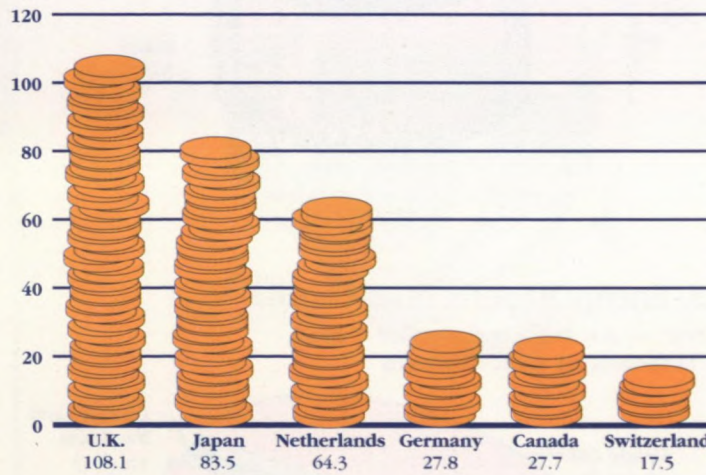
1990 — In Billions of U.S. Dollars



Statistics Canada

## Foreign Direct Investment Position in the U.S.

1990 — In Billions of U.S. Dollars



Bureau of Economic Analysis, U.S. Department of Commerce

## Investing in Our Common Future

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

The largest concentration of U.S. direct investment abroad, almost 16 percent of the total, is located in Canada. At the end of 1990, the stock of U.S. direct investment in your northern neighbour was \$67.8 billion. The U.S. is far and away Canada's most important foreign source of direct investment, with 62 percent of the total amount.

On the other hand, Canada had \$27.7 billion invested in the U.S. at the end of 1990, making it your fifth-largest source of foreign investment at 6.9 percent of the total.

## Trade is Vital to Security

Trade in military equipment and materials is, of course, essential to a country's defence capabilities. Access to reliable sources of energy is a vital component of security as well.





## An Ally and Partner

Canada and the United States have a common commitment to the defence of North America, and they share in the production of equipment and materials. Defence trade has strengthened military security and provided economic benefits to both countries.

The U.S.-Canada Defence Production Sharing Arrangement and the Defence Development Sharing Arrangement were negotiated over thirty years ago in order to harmonize the two countries' defence industrial bases and to promote production efficiency. In exchange for allowing Canadian companies to compete for U.S. military equipment purchases, Canada agreed to purchase its major weapon systems from the U.S.

Canada is one of the United States' best defence customers and suppliers. Canada provides crucial military components to the U.S., and many Canadian companies are registered as "planned producers" on the Defence Department's Industrial Preparedness Planning List for defence mobilization requirements. The benefits of this arrangement were proven when Canadian companies met production volume required during the Gulf War.

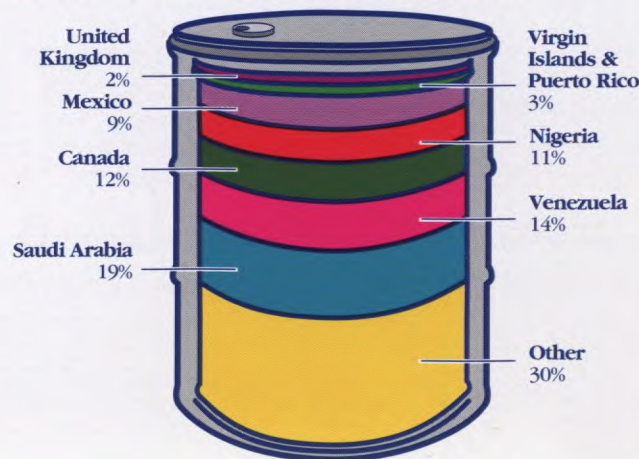
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## Stock of Foreign Direct Investment in Canada 1990 — In Billions of U.S. Dollars



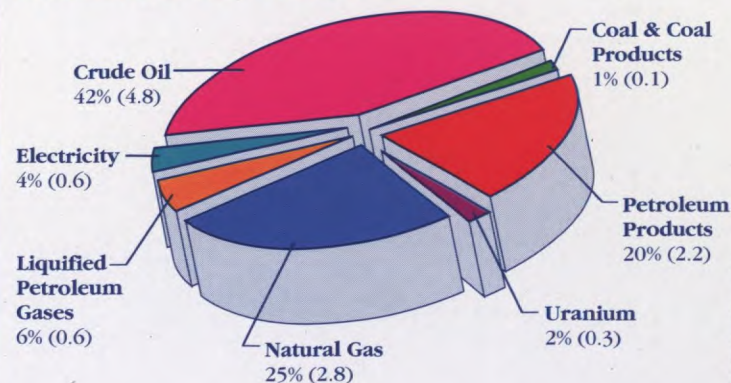
Statistics Canada

## U.S. Imports of Crude Petroleum by Country 1990 — As Percentage of Total Imports



Bureau of Economic Analysis, U.S. Department of Commerce

## U.S. Energy Imports from Canada 1990 — As Percentage of Total, In Billions of U.S. Dollars



Statistics Canada

## A Dependable Energy Supplier

Canada and the U.S. share the world's greatest two-way energy trade. In 1990 it totalled more than \$13.6 billion.

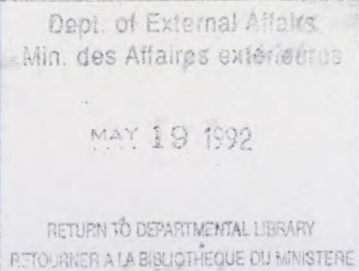
Canada is the largest foreign supplier of energy to the U.S., providing crude oil and petroleum products, natural gas and electricity. Even so, Americans are relatively self-sufficient in energy production, and Canadian purchases represent only one-twentieth of your energy needs. At the same time, Canada buys almost \$2.2 billion worth of energy from the U.S., including \$583 million worth of coal.

The Free Trade Agreement, which eliminates virtually all restrictions on energy shipments (except in situations involving national security or short supply), guarantees security of market and supply for both countries.

## The Prosperous Future

For years we have shared the most important commercial relationship in the world.

Canada is a special trade partner of the United States. With the implementation of the Free Trade Agreement starting in 1989, the two countries embarked upon a bold new arrangement governing an unprecedented range of economic activities.





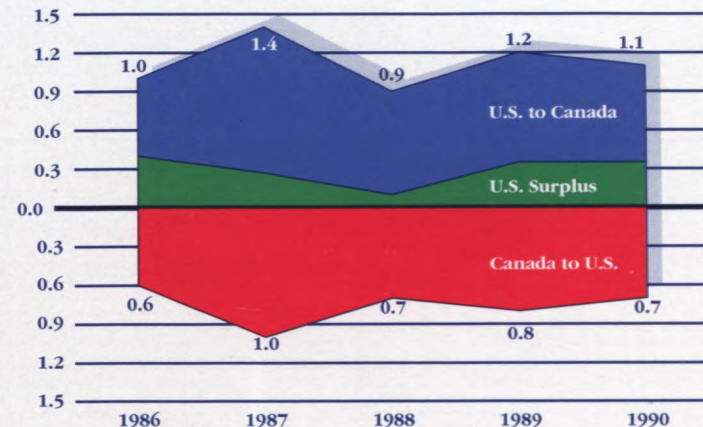
Based upon the principle of free and open market access under clearly defined terms, the FTA greatly expands opportunities for both countries to increase volume of trade, create new jobs and facilitate investment.

As a logical development of the Free Trade Agreement, Canada, the United States and Mexico are negotiating a broader North American economic partnership. The goal is a comprehensive agreement to promote and encourage sustained growth in all three countries by liberalizing trade and investment to the maximum extent possible. Negotiations are expected to be concluded in the near future. The Canada-U.S. Free Trade Agreement serves as a model for the trilateral accord.

A North American Free Trade Agreement would expand the free trade area of 270 million people into a market of 360 million – larger than the population of the twelve countries of the European Community – with a combined output of \$6 trillion.

### Sharing Procurement\*

1986 to 1990 – In Billions of U.S. Dollars

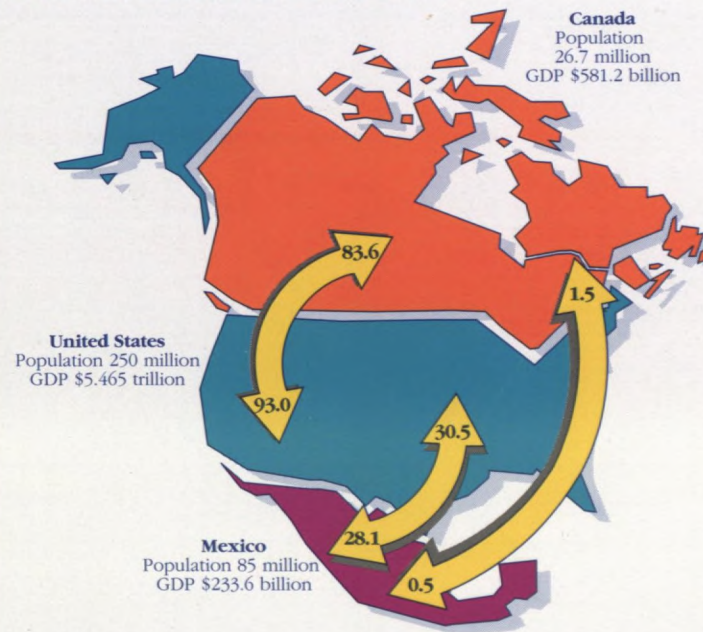


\* Does not include subcontracts

External Affairs and International Trade Canada

### North American Merchandise Trade Flows

1990 – In Billions of U.S. Dollars



Statistics Canada, U.S. Department of Commerce, IMF

It would build upon a solid base: Mexico is already the third largest merchandise trading partner for the United States, after Canada and Japan, and it is Canada's most important Latin American trading partner. The trade agreement would strengthen the economies of all three partners and allow them to compete more effectively in the world market.

The objective is not an exclusive trading bloc but rather a building block for further international co-operation. The three countries recognize the interdependence of modern economies, and are committed to further reductions in trade barriers around the globe. We can all look ahead, with energy and confidence, to a more prosperous and secure future.



External Affairs and International Trade Canada

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