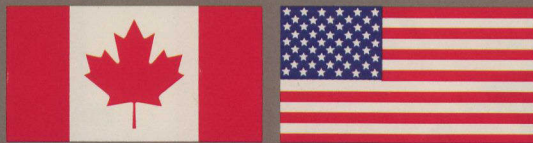


CAL
EA980
91C17
DOCS



CANADA - UNITED STATES

Partners in Prosperity

Canada

The Greatest Trade in the World

The Canada-United States Free Trade Agreement governs the largest two-way trade in the world. In 1989, the year the agreement took effect, trade in goods and service transactions* totaled more than \$206 billion, 24 percent higher than in 1987.

Canada Is the United States' Best Customer

In 1989 the United States exported over \$105 billion worth of goods and service transactions to Canada, 38 percent more than it exported to Japan and more than its total exports to the United Kingdom and West Germany combined.

The United States sold Canada, a country with 26.2 million people, \$79.7 billion worth of goods. Japan, with a population almost five times as great as Canada's, bought \$43.7 billion, 45 percent less. The 12 member states of the European Community, which have a combined population 12 times as great as Canada's, bought \$84.6 billion from the United States, only 6 percent more than Canada bought.

Service transactions account for a quarter of the world's trade, and the United States is the world's leading exporter of services. Canada is one of its best customers. In 1989 the United States provided Canada with over \$25 billion worth of services and other non-merchandise, an increase of 21 percent over 1987. Canada furnished the United States with almost \$12 billion worth of service transactions in 1989, an increase of 22 percent in two years.

The Disappearing Trade Deficit

The most comprehensive way of reporting trade exchanges is current account, which includes the balance of trade in goods, service transactions and other payments. Since World War II, the balances between Canada and the United States have shifted back and forth, with the United States having a favorable balance most often. In 1985, the U.S.'s current account balance with Canada was a negative \$5.6 billion. Since then, the deficit has been declining, and in 1989 the United States had a surplus of \$3.5 billion, 1.7 percent of total trade.

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

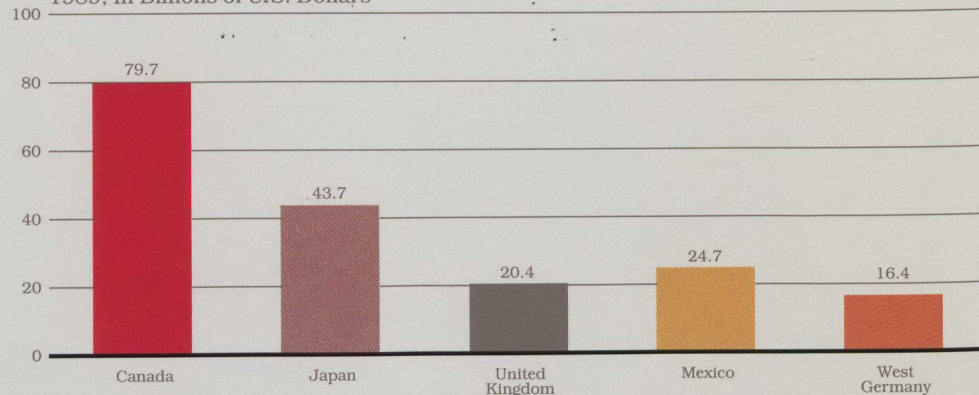
U.S. Merchandise & Non-Merchandise Trade

1989, In Billions of U.S. Dollars



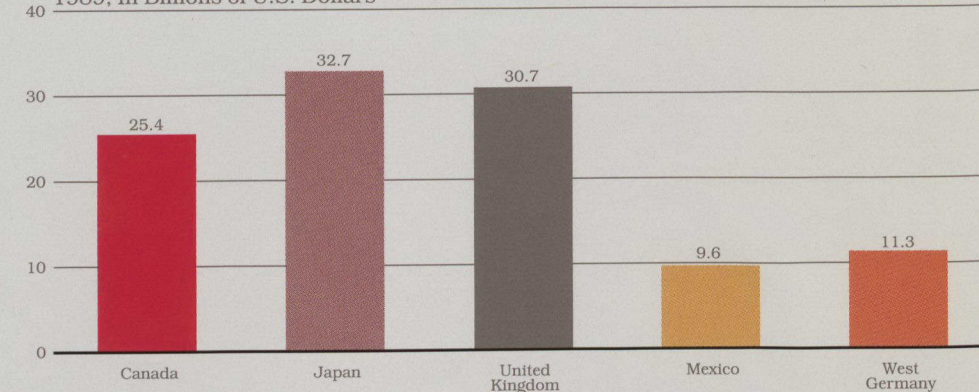
U.S. Merchandise Exports

1989, In Billions of U.S. Dollars



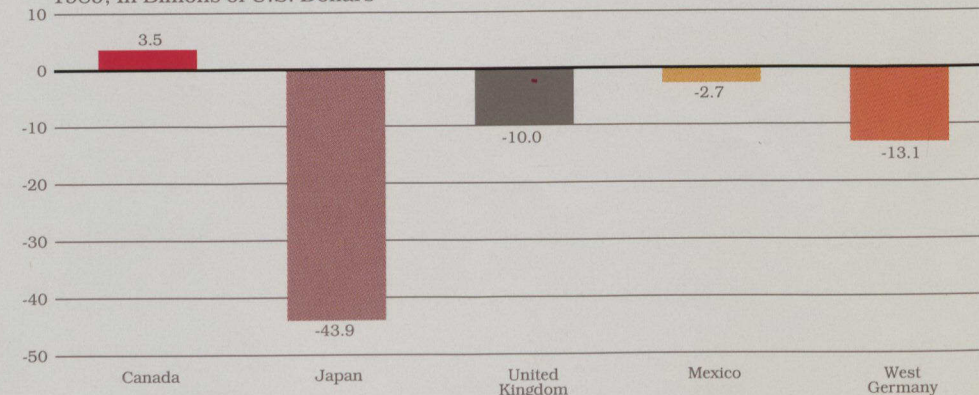
U.S. Non-Merchandise Exports

1989, In Billions of U.S. Dollars



U.S. Current Account Balances

1989, In Billions of U.S. Dollars



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 1.1841, the average for 1989.

Source for the above graphs: Bureau of Economic Analysis, U. S. Department of Commerce

Trade Is Vital To Security

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

A Reliable Energy Supplier

Canada and the U.S. share the world's greatest two-way energy trade. In 1989 it totalled more than \$10.7 billion.

Canada is the largest foreign supplier of energy to the U.S., providing crude oil and petroleum products, natural gas and electricity. Canada buys almost \$1.8 billion worth of energy from the U.S., including \$577 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), ensures security of market and supply for both countries.

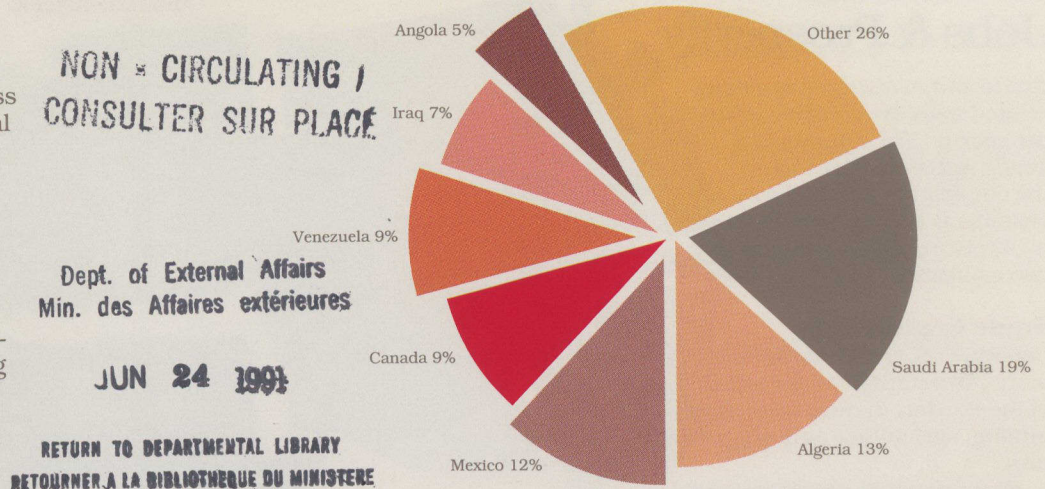
An Ally and Partner

Canada and the United States have a common commitment to the defence of North America, and they share in the production of the necessary equipment and matériel. 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 30 years ago to harmonize the two countries' defence industrial bases and 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 critical military components to the U.S., and many Canadian companies are registered "planned producers" on the Defence Department's Industrial Preparedness Planning List for defence mobilization requirements.

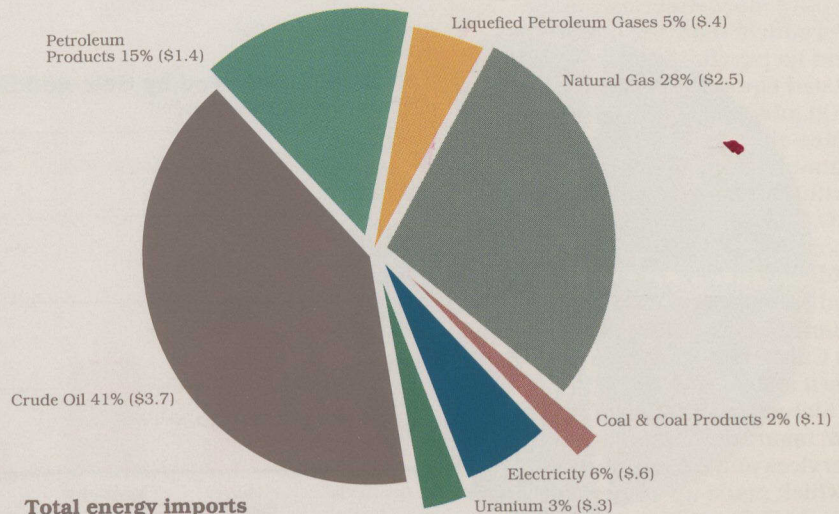
U.S. Imports of Crude Petroleum by Country
1989, As Percentage of Total Imports



Source: Bureau of the Census, U.S. Department of Commerce

NON CIRCULANT / CONSULTER SUR PLACE
Dept. of External Affairs / Min. des Affaires extérieures
JUN 24 1991
RETURN TO DEPARTMENTAL LIBRARY / RETOURNER A LA BIBLIOTHEQUE DU MINISTERE

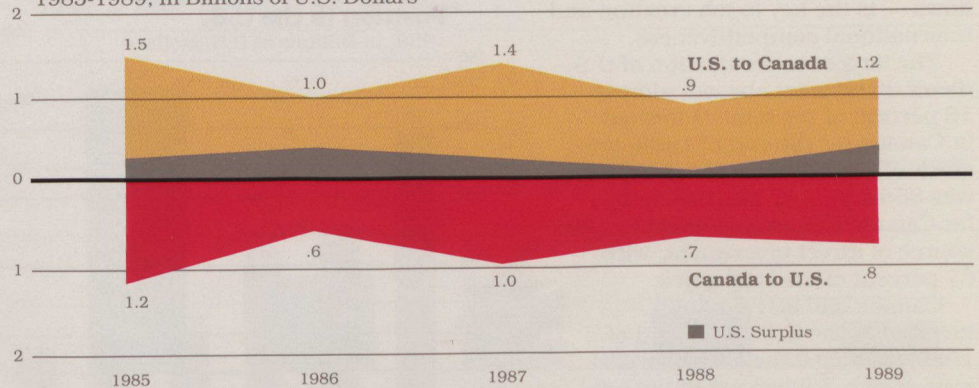
U.S. Energy Imports from Canada
1989, As Percentage of Total, In Billions of U.S. Dollars



Source: Statistics Canada

Total energy imports from Canada: \$8.9 billion

U.S. Canada Defence Production Sharing Procurement*
1985-1989, In Billions of U.S. Dollars



*Does not include subcontracts.

Source: External Affairs and International Trade Canada

43 259-689

Productive Exchanges

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

A Rich Variety of Goods

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

This is particularly true for autos and auto parts, which account for 28 percent of U.S. merchandise exports to Canada and 34 percent of imports. The two countries also sell each other chemicals and petrochemicals, aircraft and parts, aluminum, precious metals and coal.

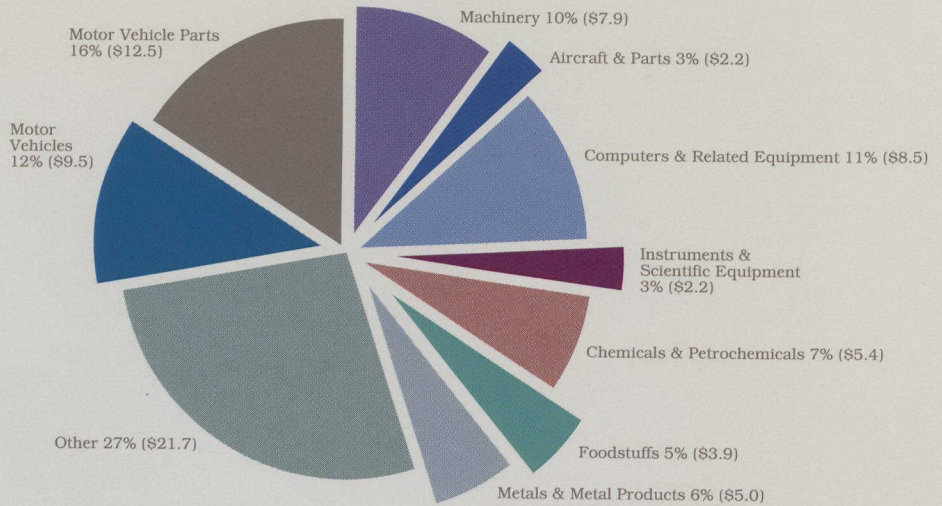
Computers, scientific instruments and other high-tech equipment account for 14 percent of U.S. exports to Canada. The U.S. also sells fruits and vegetables, meat and coal. It buys telecommunications equipment, newsprint and other forest products, crude petroleum and natural gas.

Travellers, On Business and Pleasure

The United States is Canada's favorite place to visit, and more Canadians crossed the border in 1989 than ever before. The number of visitors rose by 12 percent over 1988 to reach almost 15.3 million, 42% of all foreign visitors to the U.S. Total spending by Canadian visitors increased by almost 15 percent, to \$4.3 billion. This does not include airfare and the millions of dollars Canadians spent during day-trips to the U.S.

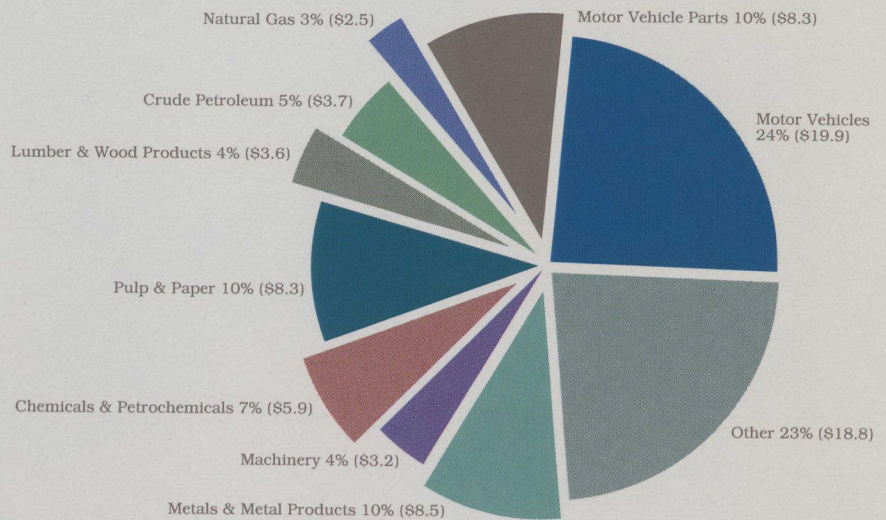
Canada is the second most popular foreign destination for U.S. travellers (after Mexico), accounting for 30% of all visits abroad. In 1989, 12.7 million Americans stayed at least one night in Canada, and spent \$3 billion, not including airfare.

U.S. Merchandise Exports to Canada
1989, As Percentage of Total, In Billions of U.S. Dollars



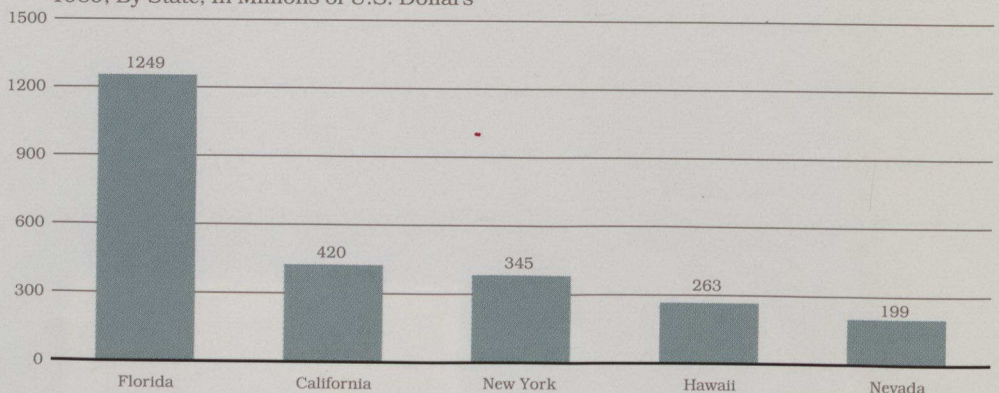
Source: Statistics Canada

U.S. Merchandise Imports from Canada
1989, As Percentage of Total, In Billions of U.S. Dollars



Source: Statistics Canada

Spending by Canadian Visitors to the U.S.*
1989, By State, In Millions of U.S. Dollars



*Staying at least one night. Does not include airfare.

Source: Statistics Canada

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 includes provisions for a more liberal investment environment between the two countries.

Trade Creates Jobs

Canada-U.S. trade supports an estimated two million jobs on both sides of the border, in most manufacturing, mining, agriculture and service sectors.

Five Canadian 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, which made up 18 percent of total Canada-U.S. trade in 1989, support thousands more jobs in both countries.

Investing in Each Other's Future

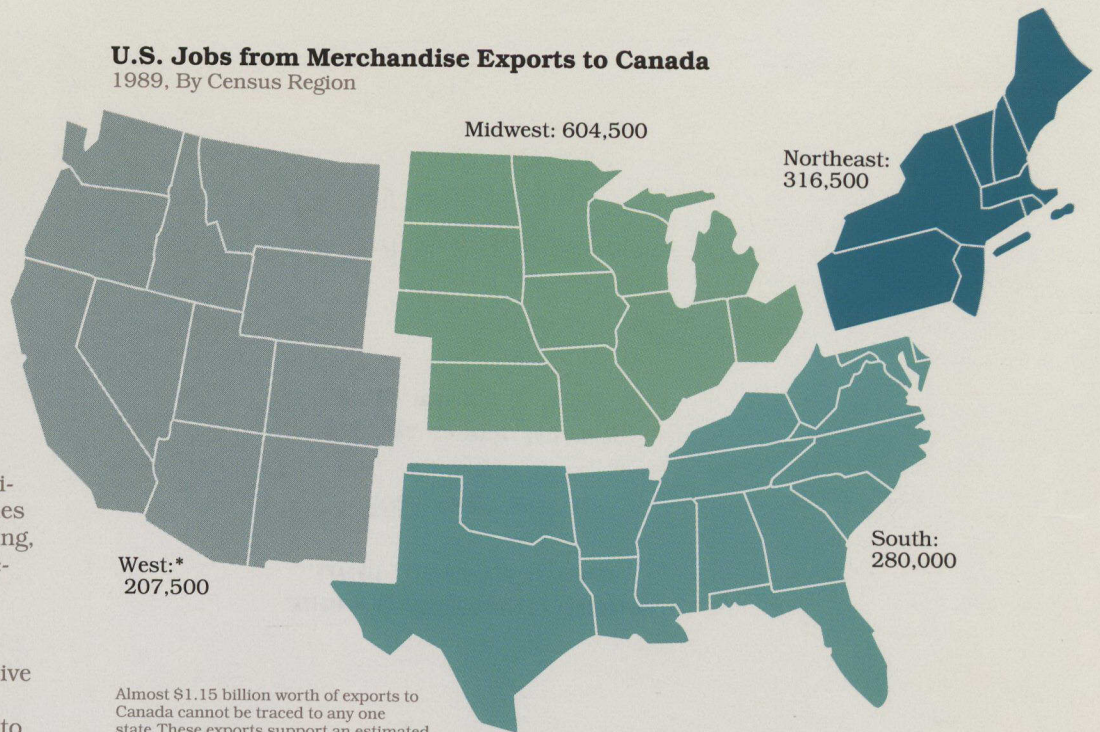
Investment — both inflows and outflows — is the key to job creation and international competitiveness.

The largest concentration of U.S. direct investment abroad, almost 18 percent of the total, is located in Canada. At the end of 1989, the stock of U.S. direct investment there was \$66.9 billion. The U.S. is by far Canada's most important foreign source of direct investment, with 67 percent of the total stock.

Canada had \$31.5 billion invested in the U.S. at the end of 1989, making it the fourth largest source with 7.9 percent of the total.

U.S. Jobs from Merchandise Exports to Canada

1989, By Census Region



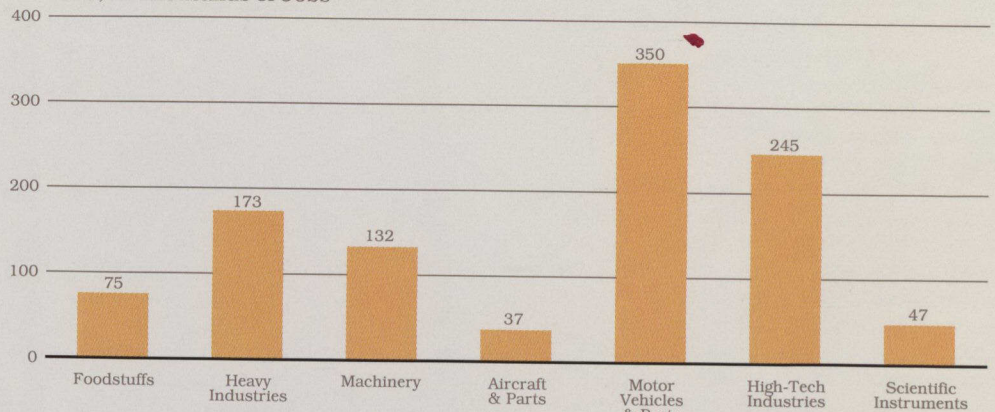
Almost \$1.15 billion worth of exports to Canada cannot be traced to any one state. These exports support an estimated 8,500 jobs.

*Alaska and Hawaii are included in the West.

Source: Jobs to exports ratios are derived from U.S. Bureau of Labor Statistics input-output tables, and have been adjusted for inflation. Export values are from Statistics Canada.

U.S. Jobs Supported by Selected Exports to Canada

1989, In Thousands of Jobs*

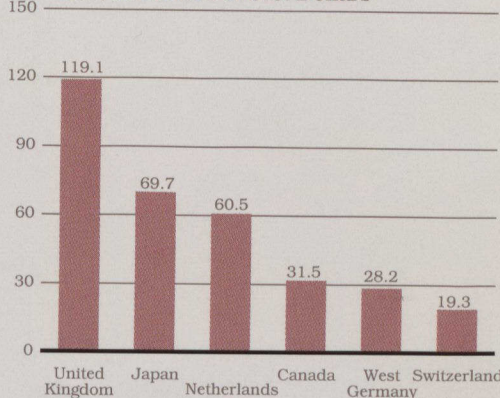


*Includes both jobs in the industry of manufacture and spin-off jobs in related industries.

Source: Jobs to exports ratios are derived from U.S. Bureau of Labor Statistics input-output tables, and have been adjusted for inflation. Export values are from Statistics Canada.

Foreign Direct Investment Position in the U.S.

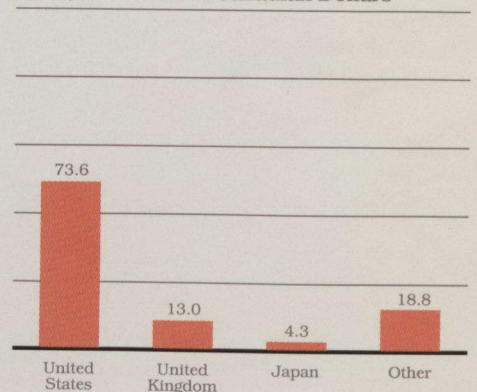
1989, In Billions of U.S. Dollars



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

Stock of Foreign Direct Investment in Canada

1989, In Billions of Canadian Dollars



Source: Statistics Canada

The Prosperous Future

North American Merchandise Trade Flows

1989, In Billions of U.S. Dollars

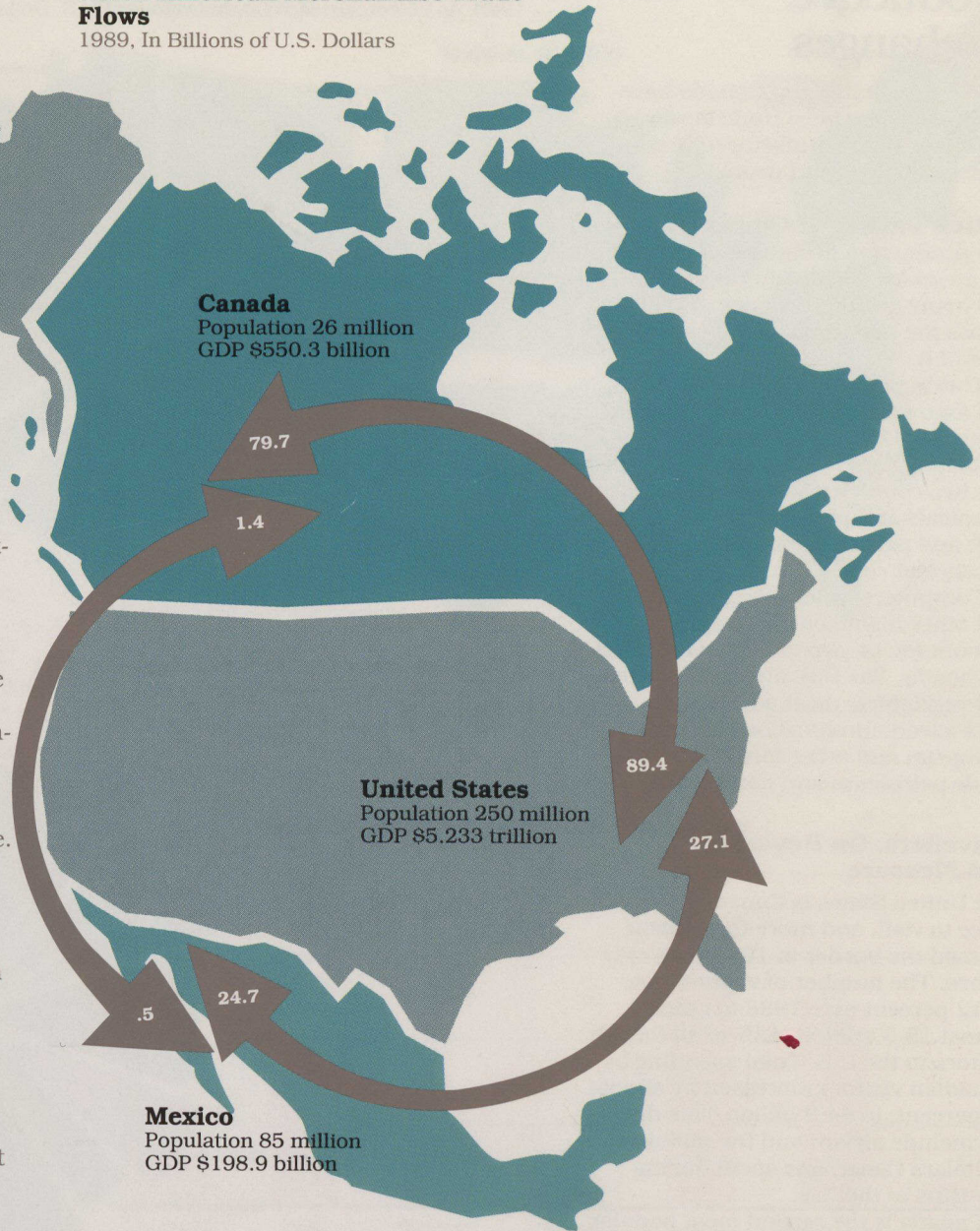
Canada and the United States have for years shared the most important commercial relationship in the world.

With the implementation of the Free Trade Agreement in 1989, the two countries embarked upon a bold new partnership governing an unprecedented range of economic activities. Based upon the principle of fair and open market access under the rule of law, the FTA greatly expands the opportunities for both countries to increase their volume of trade, create jobs and facilitate investment.

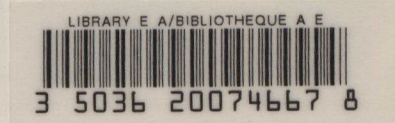
As a logical development of the Free Trade Agreement, Canada will join the United States and Mexico as a full partner in negotiations to create a broader North American economic partnership. The goal is a comprehensive agreement that would promote sustained growth in all three countries by liberalizing trade and investment to the maximum extent possible. Negotiations are expected to be concluded by the end of 1991. Although the Canada-U.S. Free Trade Agreement will serve as a model for a trilateral accord, there is no intention to renegotiate it.

A Canada-U.S.-Mexico accord would expand the free trade area of 270 million people into one of 360 million—larger than the population of the 12 countries of the European Community—with a combined output of \$6 trillion. It would build upon a solid base: Mexico is already the U.S.'s third largest trading partner, after Canada and Japan, and it is Canada's most important trading partner in Latin America. It would strengthen the economies of all three partners and enable 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 cooperation. The three countries recognize the interdependence of modern economies, and they are committed to further reductions in trade barriers around the globe. They are looking ahead, with energy and confidence, towards a prosperous, more secure future.



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



Canada

Canadian Embassy/Ambassade du Canada

