

Monthly Trade Bulletin

Volume 5 Number 12

February 2004

Key Monthly Trade Indicators (December 2003)

Highlights

- Canada's overall merchandise trade surplus with the world increased in December as exports grew more than imports for the month.
- Canada's trade balance with the U.S. also improved for the month.
- The Canadian dollar was up during December, recording a slight increase (US0.1¢) over the month.

Please note that the Monthly Trade Bulletin for January 2004 was not published due to delays and uncertainties associated with the restructuring and reorganization of government departments.

	\$ millions	% change over	
		previous month	previous year
Exports	33,431	3.6	-3.1
- Exports to U.S.	27,058	2.1	-6.1
Imports	28,007	0.7	-8.5
- Imports from U.S.	19,504	0.6	-6.9
Trade Balance*	5,424	4,445	3,926
- Balance with U.S.*	7,554	7,099	7,864
Commodity Prices**	131.6	8.6	18.3
Canadian Dollar (US¢)*	77.1	77.0	63.4
Export Prices***	101.0	0.2	-8.3
Import Prices***	92.7	-0.5	-11.5

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: 10 Years of North America Free Trade Agreement

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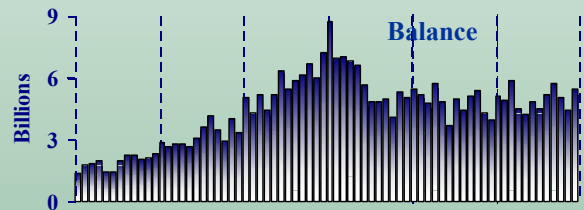
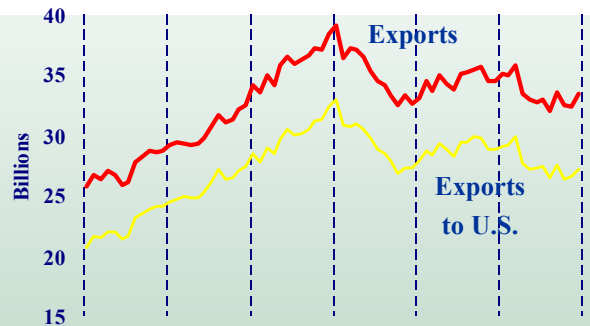
Volume 5 Number 12

February 2004

Merchandise Trade

Trade surpluses increase...

- Canada's overall trade surplus climbed by \$1.0 billion in December, to \$5.4 billion.
- December's monthly surplus with the U.S. widened by \$455 million to \$7.6 billion.



... and the Canadian dollar continues to rise.

- The Canadian dollar gained US0.1¢ in value in December, after climbing US1.1¢ the previous month. It closed the month at US77.1¢. The value of the dollar was US13.7¢ (or 21.7 per cent) higher in December than a year earlier.
- Commodity prices increased 8.6 per cent in December after a 1.3% gain in November. The terms of trade improved as export prices increased for the month while import prices fell.



Monthly Trade Bulletin

Volume 5 Number 12

February 2004

10 Years of North American Free Trade Agreement

The North American Free Trade Agreement (NAFTA) and the European Union (EU) are the World's largest regional trade blocs.

- The EU and NAFTA represented just under 13 percent of World population, compared to a combined GDP share of 63 percent in 2002.
- NAFTA's share of World GDP in 2002 was 36.5 percent, 10 percentage points higher than the EU share.
- On the other hand, EU's share of global exports is more than double that of NAFTA.
- ASEAN and MERCOSUR represent less than 4 percent of World GDP.

The importance of intra-regional trade increased dramatically within NAFTA.

- The share of intra-NAFTA exports in total exports increased from 43.5 percent in 1992 to 56.5 percent in 2002.
- During this period, share of intra-NAFTA imports in their total imports increased slightly, from 36 percent to 38.1 percent.
- The share of intra-regional trade in total trade in other regional trading blocs did not change much during this period.

Population, GDP and Trade by Major Regional Trade Agreements, 2002

	Population	GDP	Exports
WORLD (in billion & billion US\$)	6.2	32253	6455
Regional Share in World (percent)			
EU	6.1	26.5	37.9
NAFTA	6.8	36.5	17.1
ASEAN ^a	8.5	1.9	6.3
MERCOSUR	3.6	1.8	1.4

Note: a - GDP excluding Brunei and Myanmar

Data Source: Population and GDP from World Bank (WDI online), Trade Data from World Trade Organization.

Note: Regional Trade Arrangements

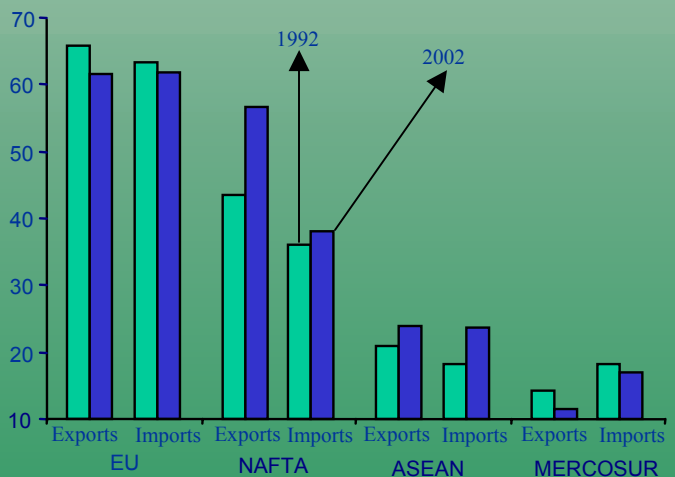
ASEAN (Association of South Asian Nations): Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

MERCOSUR: Argentina, Brazil, Paraguay and Uruguay.

EU (European Union): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and The United Kingdom.

NAFTA (North American Free Trade Agreement): Canada, Mexico and United States.

Share of Intra-Regional Trade in Major RTAs (Percent)



Source: World Trade Organization

Monthly Trade Bulletin

Volume 5 Number 12

February 2004

10 Years of North American Free Trade Agreement

The United States is increasingly becoming the single most important destination for Canadian exports...

- The U.S. share of Canadian exports increased from 77.2 percent in 1992 to 87.2 percent in 2002.
- Mexico's share increased from 0.5 percent to 0.6 percent.

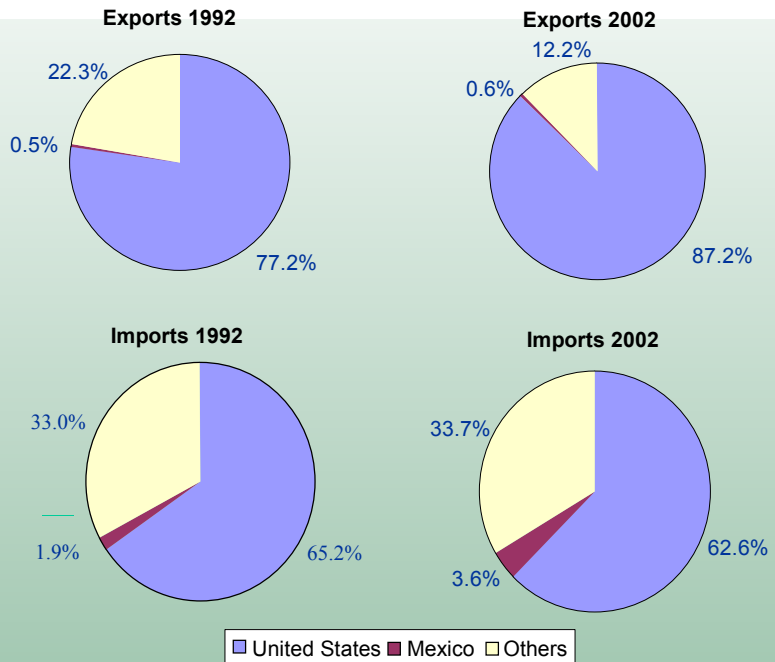
...as a source of imports however, the importance of the U.S. declined somewhat, while Mexico's share increased.

- The U.S. share of Canadian imports fell from 65.2 percent in 1992 to 62.6 percent in 2002.
- While Mexican share almost doubled to 3.6 percent in 2002.

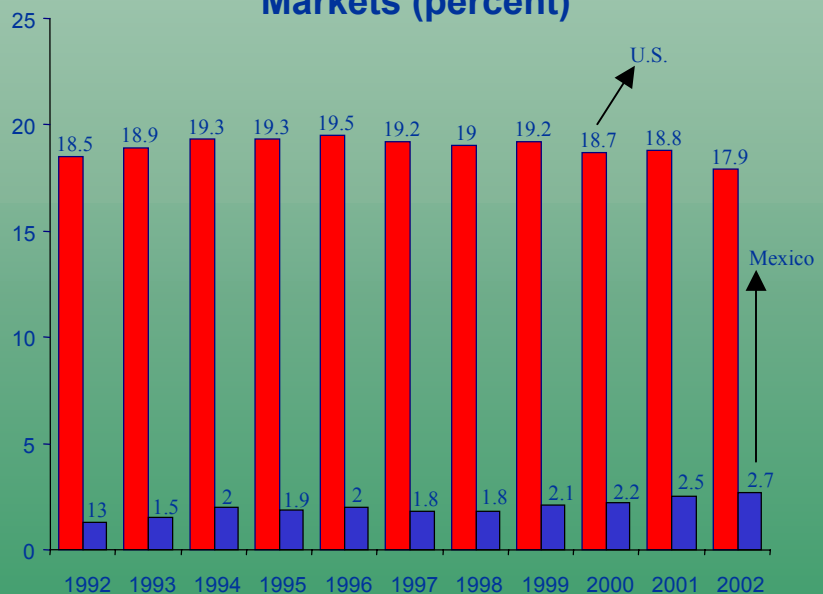
Despite a large increase in Canada's exports to the U.S., Canada's share of the U.S. market fell somewhat.

- Canada's share of the U.S. market increased from 18.5 percent in 1992 to 19.5 percent in 1996 and then fell to 17.9 percent in 2002.
- Increased competition from emerging economies such as Mexico and China was responsible for Canada's loss of market share in the U.S.
- On the other hand, Canada's share in Mexico more than doubled, from 1.3 percent in 1992 to 2.7 percent in 2002.

Regional Composition of Canada's Merchandise Trade



Canada's Share in the U.S. and Mexico Markets (percent)



Source: Industry Canada compilations based on Statistics Canada data (for Canadian data), USITC (for U.S. data), UN Comtrade Database and World Trade Atlas (for Mexican data).

Monthly Trade Bulletin

Volume 5 Number 12

February 2004

10 Years of North American Free Trade Agreement

Industrial Composition of Canada's Trade with the United States

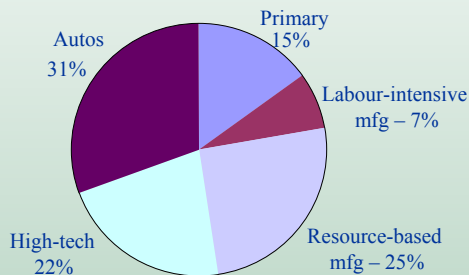
Autos and technology-intensive goods accounted for more than 50 percent of Canadian merchandise exports to the United States in 2002...

- Surprisingly, the importance of labour-intensive industries increased by 3 percentage points, reaching 10 percent in 2002.
- On the other hand, the share of resource-based manufacturing goods declined by 2 percentage points during this period.

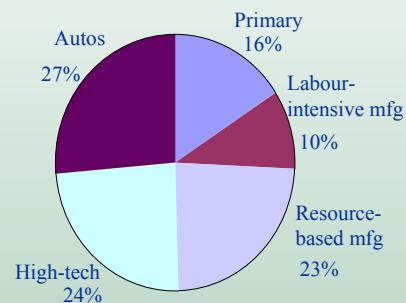
... they represent over 70 percent of Canadian imports from the U.S.

- The industrial structure of Canadian imports from the U.S. more or less remained constant between 1992 and 2002.
- The large importance of high-tech and auto industries in both exports and imports reflect a high degree of intra-industry and intra-company trade.

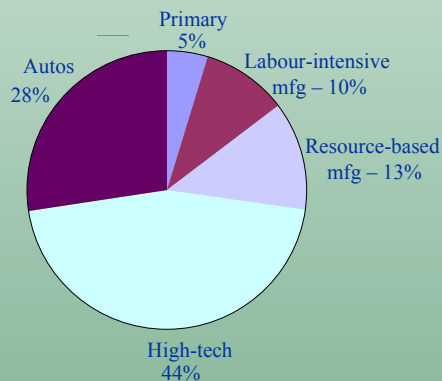
Exports, 1992



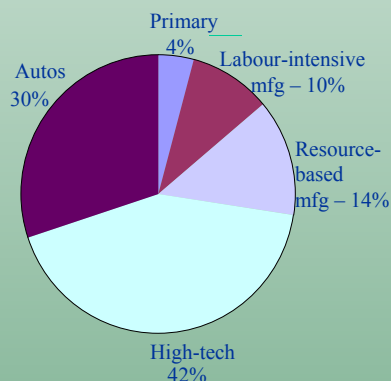
Exports, 2002



Imports, 1992



Imports, 2002



Source: Industry Canada compilations based on Statistics Canada data, NAICS.

Definition of Industrial sectors (based on North American Industrial Classification System (NAICS))

Primary producing sectors: Agriculture (11), mining (21) and utilities (22)

Labour intensive manufacturing: Food (311), Beverage and Tobacco (312), Textile and clothing (314-316), Leather (316), Printing and Related Support Activities (323), Furniture (337), Miscellaneous (339)

Resource based manufacturing: Wood Product (321), Paper (322), Petroleum and Coal Products (324), Non-Metallic Mineral Product (327), Primary Metal (331)

High-tech: Chemical (325), Plastics and Rubber (326), Fabricated Metal Product (332), Machinery (333), Computer and Electronic Product (334), Electrical Equipment (335), Aerospace Product and Parts (3364), Railroad Rolling Stock (3365), Ship and Boat Building (3366), Other Transportation Equipment (3369)

Autos: Motor Vehicle (3361), Motor Vehicle Body and Trailer (3362), Motor Vehicle Parts (3363)

Monthly Trade Bulletin

Volume 5 Number 12

February 2004

10 Years of North American Free Trade Agreement

High-tech and autos represent close to 50 percent of Canada's exports to Mexico...

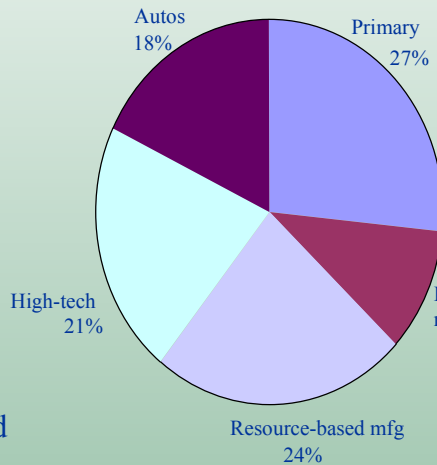
- Their share increased by 7 percentage points since 1992.
- Surprisingly, the share of labour-intensive industries also increased considerably, from 10 percent in 1992 to 18 percent in 2002.
- On the other hand, the share of primary and resource-based industries fell by 9 and 7 percentage points, respectively.

... they contribute more than 80 percent to Canada's imports from Mexico.

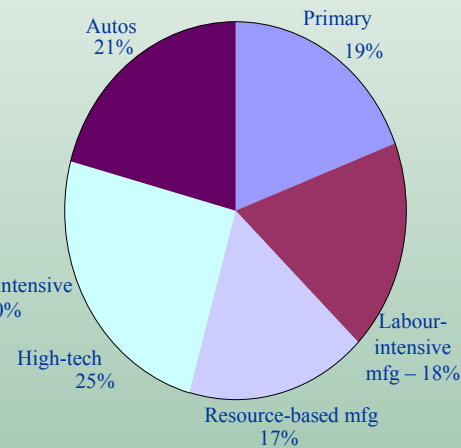
- The share of high-tech industries increased by 17 percentage points between 1992 and 2002 to 42 percent, while the share of autos fell by the same percentage points.
- Importance of labour-intensive products also increased by 6 percentage points, mainly at the cost of primary industries.

Industrial Composition of Canada's Trade with Mexico

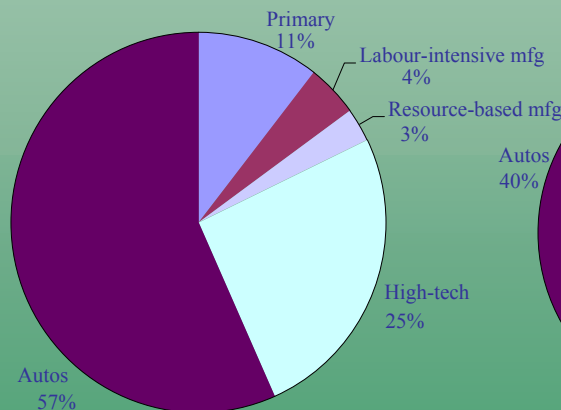
Exports, 1992



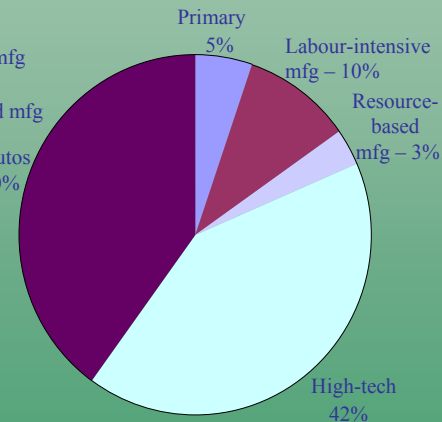
Exports, 2002



Imports, 1992



Imports, 2002



Source: Industry Canada compilations based on Statistics Canada data.

Monthly Trade Bulletin

Volume 5 Number 12

February 2004

10 Years of North American Free Trade Agreement

Between 1992 and 2002, Canada's trade surplus with the U.S. increased substantially in primary and labour-intensive industries...

- The trade surplus in resource-based manufacturing products is large but remained fairly stable during this period. For instance, the ratio of exports to imports increased from 4.10 in 1992 to 5.66 in 2002.
- In autos, on the other hand, the trade surplus declined somewhat.
- In addition, the trade deficit in high-tech manufactured products narrowed significantly.

... while Canada's trade deficit with Mexico widened in all major products.

- The ratio of aggregate exports to imports declined from 0.29 in 1992 to 0.19 in 2002.

Ratio of Exports to Imports: Canada's Trade with the U.S., 1992-2002

	1992	1997	2002
Primary	4.10	4.47	5.66
Labour-intensive mfg	0.94	1.22	1.59
Resource-based mfg	2.58	2.57	2.61
High-tech	0.63	0.72	0.86
Autos	1.43	1.24	1.33
Total mfg	1.15	1.17	1.33
All commodities	1.29	1.30	1.51

Ratio of Exports to Imports: Canada's Trade with Mexico, 1992-2002

	1992	1997	2002
Primary	0.74	0.93	0.70
Labour-intensive mfg	0.68	0.14	0.34
Resource-based mfg	2.57	0.43	0.94
High-tech	0.24	0.12	0.11
Autos	0.09	0.08	0.10
Total mfg	0.24	0.12	0.16
All commodities	0.29	0.18	0.19

Source: Compilation Based on Statistics Canada Data