



***Canada–United States:
The World’s Largest
Trading Relationship***

*April 2004
(2003 trade data)*

Friends, Neighbors – and Business Partners

Trade and economic interests span the globe, but the scope and scale of the movement of goods, services, investment, people and ideas between the United States and Canada make this a unique partnership. Trade between the U.S. and Canada contributes to making both countries more internationally competitive, provides consumers and producers with a greater variety of goods and services at lower prices and generally improves the standard of living in both countries.

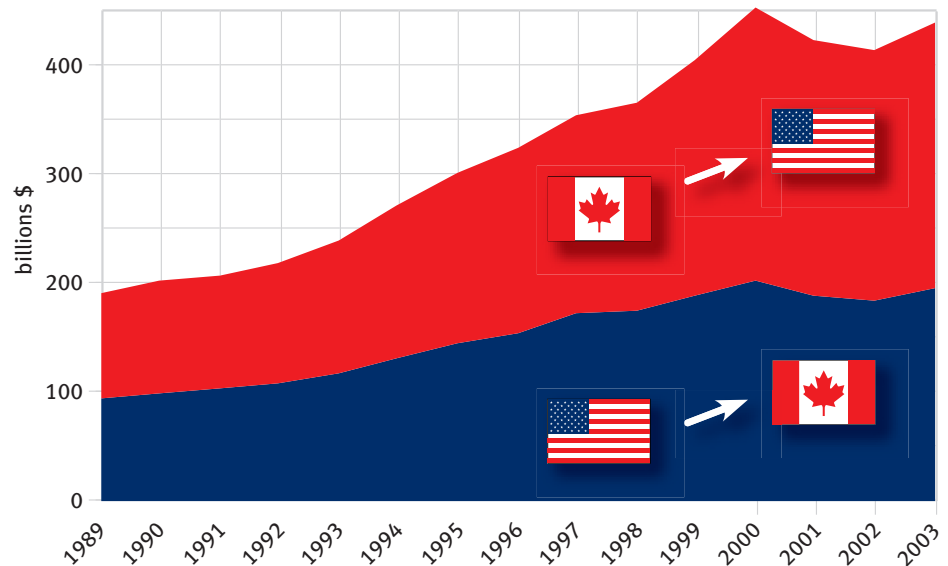
***In 2003,
Canada was the leading
foreign market for the
goods of 37 U.S. states***

Co-operation has produced tremendous benefits to both nations: in 2003, two-way trade in goods and services surpassed \$441.5 billion, making the U.S.–Canada trading relationship the largest in the world.

In 2003, the U.S. sold \$195.8 billion worth of goods and services to Canada and received \$245.8 billion worth of goods and services from Canada.

37,000 trucks cross the border between the two countries each and every day. 58% of these cross at only five key border crossings – the Ambassador Bridge, Sarnia, Fort Erie, Lacolle and the Pacific Highway.

U.S.–Canada Trade: Goods and Services



Source: Canadian Embassy, Washington D.C.

Data: U.S. Bureau of Economic Analysis (BEA) and U.S. Census Bureau, Balance of Payments

Some \$1.2 billion worth of goods and services cross the border between the U.S. and Canada each day

Since 1989, when the U.S. and Canada implemented the Canada–U.S. Free Trade Agreement, trade between the two countries has accelerated, more than doubling from \$192.4 billion to \$441.5 billion in 2003.

Canada has been the leading destination for U.S. exports since 1946! From cars to computers – Canada buys more goods and services from the U.S. than any other country in the world. One-fifth of all U.S. exports went to Canada in 2003.

Thirty-seven states count Canada as their number one foreign customer; Canada is the most important destination of exports for most of the states along the border as well as the northeast and central U.S., and as far south as Missouri and Georgia. Twenty-three states sent more than one-quarter of their exports to Canada in 2003.

Canada is a larger market for U.S. goods than all 15 members of the European Union combined

Merchandise Trade

Since the implementation of the Canada–U.S. Free Trade Agreement in 1989 and the North American Free Trade Agreement in 1994, there has been a dramatic increase in two-way interdependence between the two economies.

The U.S.–Canada trading relationship supports two million jobs in each country

U.S. exports bound for Canada more than doubled between 1989 and 2003, from \$79.9 billion to \$169.8 billion. Over the same period, U.S. imports from Canada increased from \$89.9 billion to \$226.9 billion.

Canada provides close to one-fifth of U.S. imports used in the production process or directly consumed. Nearly 60% of U.S. wood and paper imports came from Canada in 2002, despite the softwood lumber dispute between the two countries.

U.S. industry. Over 40% of U.S. trade with Canada is intra-firm, that is, trade occurring between parts of the same firm operating on both sides of the border.

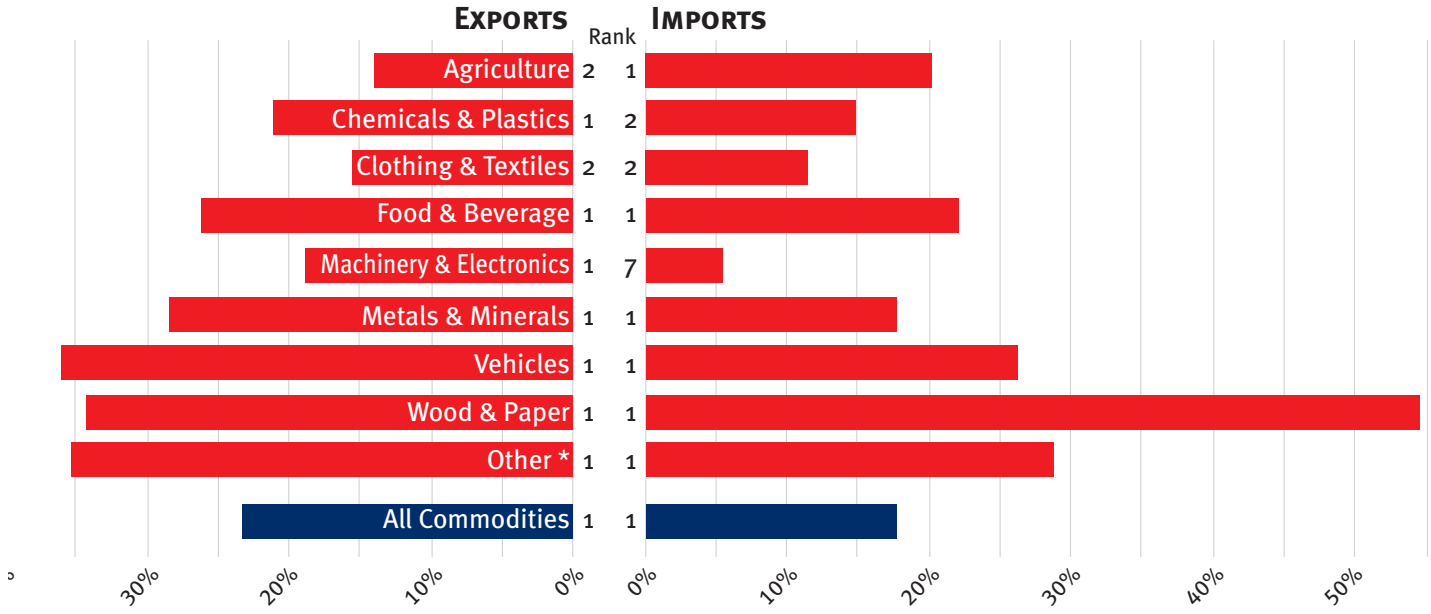
In 2003, merchandise trade accounted for 86.7% of total U.S. exports to Canada and 92.3% of total imports from Canada.

These trade numbers are due, in part, to the high degree of integration between Canadian and

The automotive industry is a prime example of this integration: every vehicle assembled in North America now contains nearly \$1,250 of Canadian-made parts.

In 2002, U.S. goods exports to the province of Ontario alone were worth twice as much as those to Japan

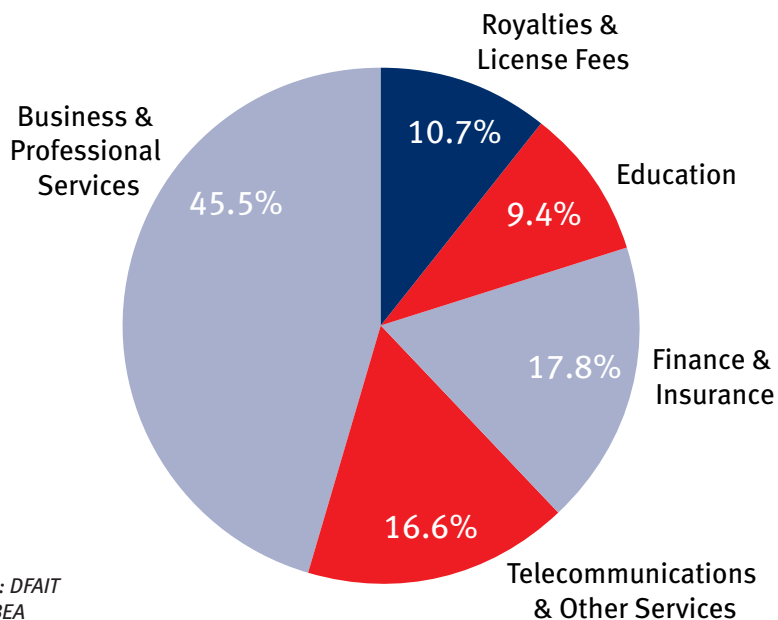
Canada’s Share of U.S. Exports and Imports by Commodity, 2003



Source: DFAIT
Data: U.S. International Trade Commission (USITC), * excludes Special Transactions

Services Trade

Distribution of U.S. Commercial Services Exports to Canada, 2002



Nearly 81 percent of Canadian goods and services exports went to the U.S. in 2002

Source: DFAIT
Data: BEA

Canada bought about \$26.0 billion worth of services from the U.S. in 2003, including \$14.4 billion in commercial services, \$6.7 billion in travel services and \$4.9 billion in transportation and government services. Commercial services consist of high value added services such as Business and Other Professional Services as well as Finance and Insurance.

The U.S. purchased \$18.9 billion worth of Canadian services in 2003. That included \$8.4 billion in commercial services, \$6.3 billion in travel services, and close to \$4.3 billion in transportation and government services.

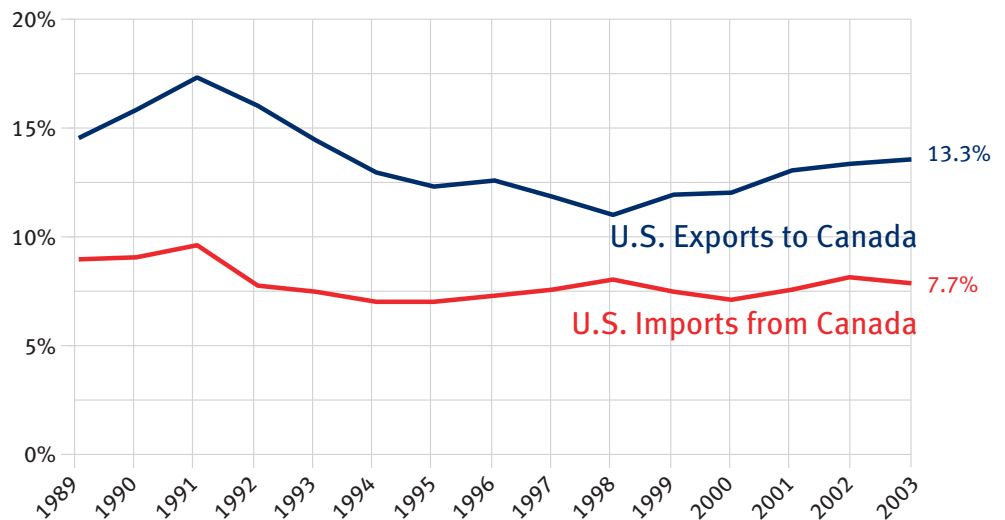
The U.S. has traditionally maintained a large trade surplus with Canada in services. In 2003, the U.S. exported \$7.0 billion more in services to Canada than it imported.

In 2003, 13.3% of U.S. exports to Canada and 7.7% of U.S. imports from Canada were services. While this is down somewhat from the

early 1990s, it is largely due to particularly rapid growth in goods trade rather than poor performance in services.

Canada was the source of 13.3 percent of all U.S. imports of goods and services in 2003

Services as a Share of Total U.S.–Canada Trade



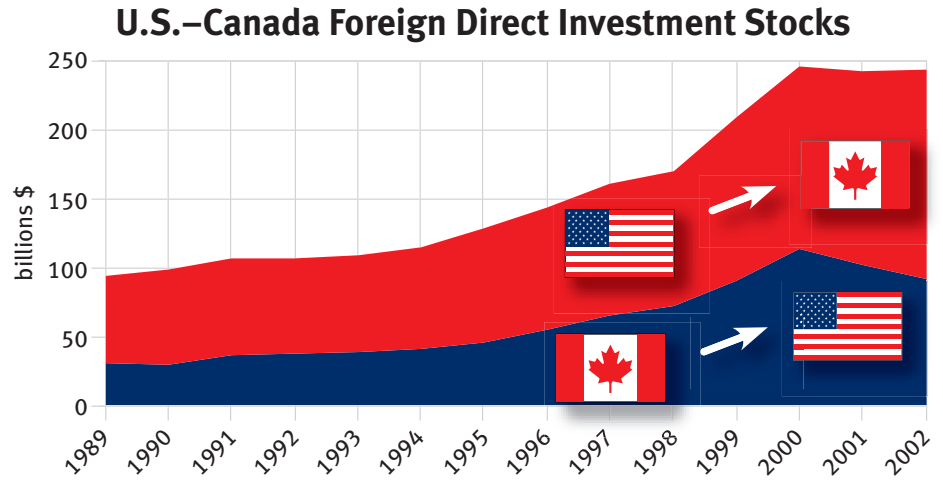
Source: Canadian Embassy, Washington D.C.
Data: BEA, Balance of Payments

Foreign Direct Investment

Canada and the U.S. have built one of the world's largest direct investment partnerships: the U.S. is the largest foreign investor in Canada, and the most popular destination for Canadian investment. Foreign direct investment (FDI) stocks between the two countries reached \$244.6 billion in 2002.

Canadian FDI in the U.S. increased tremendously between 1989 and 2002; growing from \$30.4 billion in 1989 to \$92.0 billion in 2002 — a more than three-fold increase, and at an average annual rate of growth of 8.9% significantly outpaced growth in trade.

Nearly half of Canadian direct investment is located in the U.S.,



Source: Canadian Embassy, Washington D.C.
Data: BEA

making the U.S. the single most important destination for Canadian direct investment.

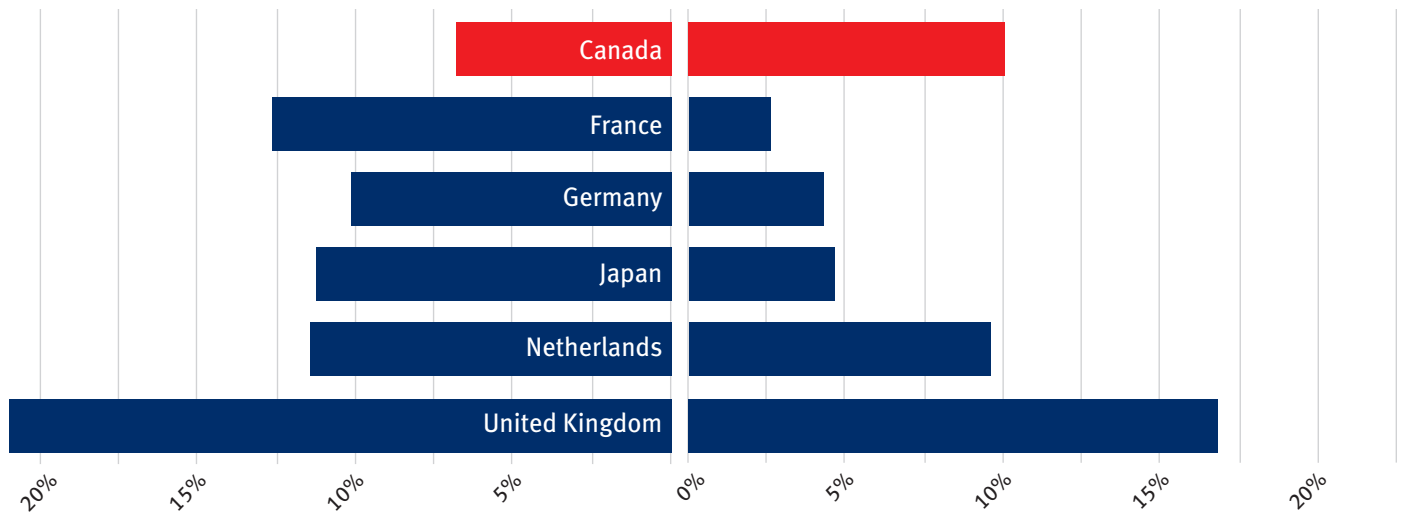
Canada is second only to the U.K. as a destination for U.S. outward

direct investment, which grew from \$63.9 billion in 1989 to \$152.5 billion 2002, contributing to the competitiveness of both countries.

The U.S. and Canada are major investors in each other's economies; nearly 98 percent of Canada's foreign direct investment in North America is in the U.S.

Geographic Distribution of U.S. Direct Investment Stocks, 2002

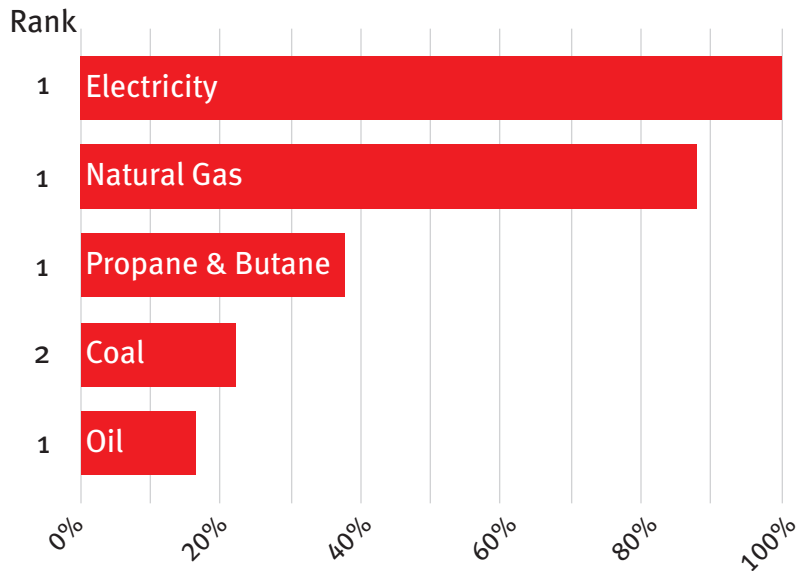
Direct investment in the U.S. • U.S. Foreign Direct Investment



Source: DFAIT
Data: U.S. Bureau of Economic Analysis, Historical Cost Position

Canada Energizes the U.S.

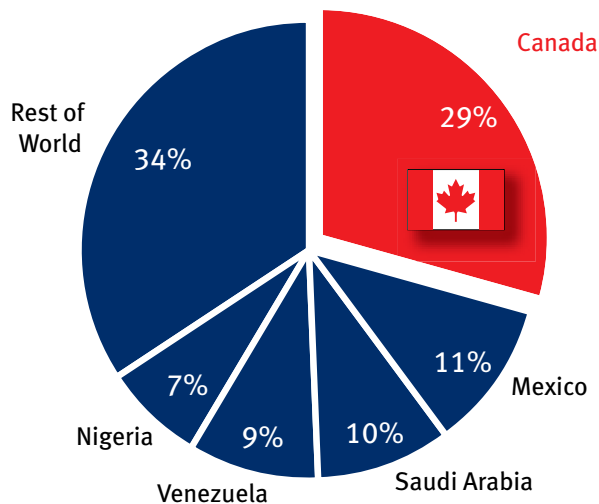
Canada's Share of U.S. Energy Imports, 2003



Source: DFAIT, Data: U.S. International Trade Commission

Canada is the U.S.'s largest, most reliable and most secure source of energy

U.S. Energy Imports by Source, 2003



Source: DFAIT, Data: U.S. International Trade Commission

Trade and investment in energy, as well as expansion and improved efficiency of joint energy markets, are critical to the economic health of both countries.

Canada is the single largest supplier of energy to the U.S. at more than \$41 billion in 2003 – nearly three times as much as Saudi Arabia. Canada supplied the U.S. with 88% of its natural gas imports, and 17% of its oil in 2003 – more than any other country.

Canada supplies close to 100% of the United States' electricity imports, and is the major provider of electricity to the Northeastern U.S., including New England and New York, as well as the Upper Midwest, the Pacific Northwest and California.

*Notes:
All figures are in U.S. dollars.
Percentages may not add up due to rounding.*

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