

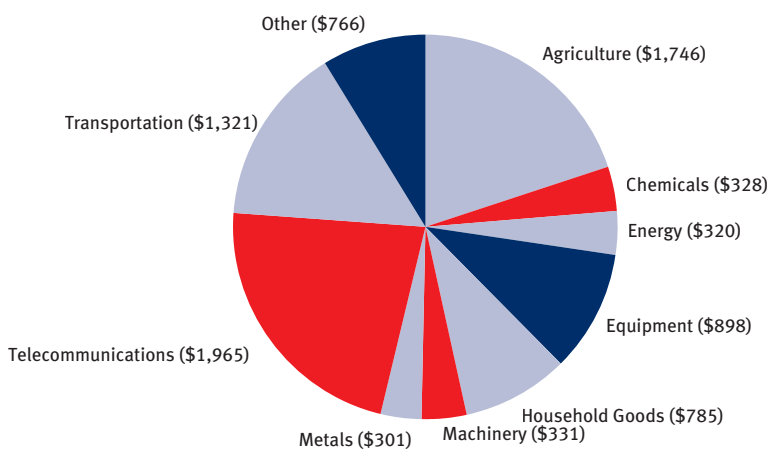


CALIFORNIA

In 1989, the Canada-U.S. Free Trade Agreement went into effect, phasing out all tariffs and many non-tariff barriers to trade. Evidence of the benefits of free trade are clear as two-way trade in goods and services between Canada and the United States totaled \$442 billion in 2003, the largest bilateral exchange in the world. Furthering the benefits of free trade, the 1994 North American Free Trade Agreement (NAFTA) opened the Mexican market to Canada and the United States. According to a 2003 study commissioned by the Canadian Embassy, based on 2001 data, Canada-U.S. trade supported 5.2 million U.S. jobs, 626,000 in California alone.

California's Merchandise Exports to Canada

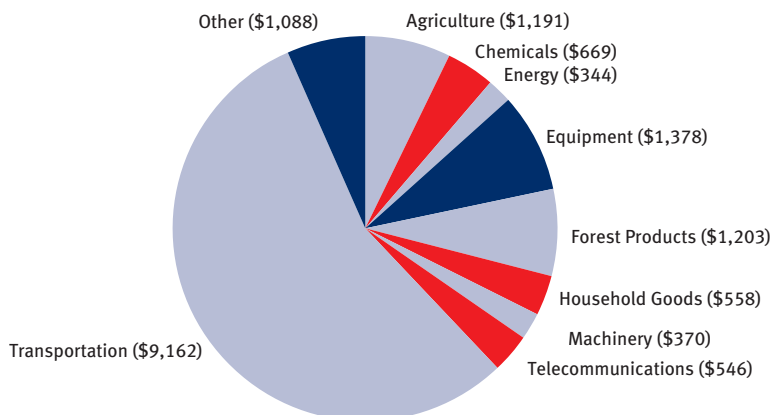
2003, in millions of U.S. dollars



Total California exports to Canada: \$8.8 billion

California's Merchandise Imports from Canada

2003, in millions of U.S. dollars



Total California imports from Canada: \$16.5 billion

One of the best customers... In a trading relationship worth almost \$25.3 billion in 2003, an average of over \$69 million crossed the border every day. Canada was the Golden State's third largest export destination. The state sent \$8.8 billion—12% of all state exports—in merchandise shipments north in 2003. In turn, California imported \$16.5 billion in goods from Canada, over \$1 billion more than in 2002.

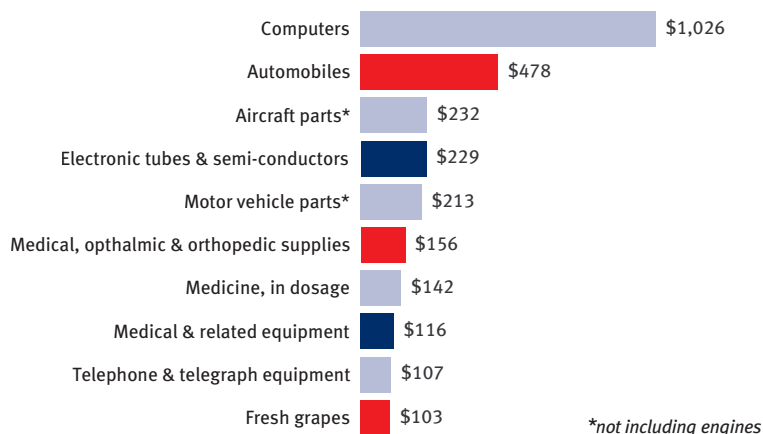
High tech products lead the exports... California, home to Silicon Valley and the birth place of leading tech companies, sold nearly \$2 billion in telecommunications goods to Canada in 2003. Sales of telecommunications products accounted for 22% of all of California's exports to Canada and included the leading export for the year—more than \$1 billion worth of computers. Shipments also included \$229 million in electronic tubes and semi-conductors, \$107 million in telephone and telegraph equipment and \$100 million in television, radio sets and phonographs.

Driving up the revenues... Transactions in transportation goods accounted for 41% of all bilateral trade between California and Canada in 2003. The state exported more than \$1.3 billion in transportation products this year—two-thirds more than the previous year. Sales included the state's second largest individual export—\$478 million worth of automobiles. In turn, the nearly \$9.2 billion in transportation products which California bought from Canada accounted for 55% of all state imports. At \$8.5 billion, automobiles made up 93% of transportation imports and were the state's top import in 2003. California also purchased \$205 million in motor vehicle parts (excluding engines) and \$110 million in aircraft parts (excluding engines).

Agriculturally speaking... The Golden State and Canada kept each other well-fed in 2003. The state sent over \$1.7 billion in agricultural products north, including \$103 million in fresh grapes. In turn, California turned to Canada for almost \$1.2 billion in agricultural goods, including \$216 million worth of meat.

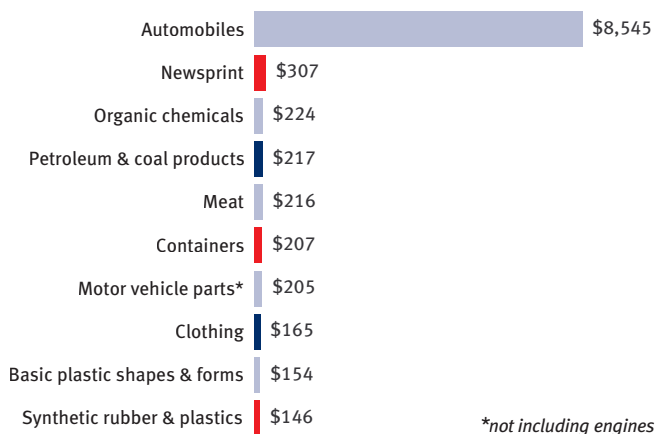
California's Leading Exports to Canada

2003, in millions of U.S. dollars



California's Leading Imports from Canada

2003, in millions of U.S. dollars



Fun in the sun... The Golden State attracted more Canadians than ever in 2003. Over 1 million Canadians traveled south, contributing \$587 million to the state's economy. In turn, 1.1 million Californians made the same trek in the opposite direction, spending \$447 million in Canada.

July 2004

All figures are in U.S. dollars. Merchandise trade and tourism figures are from Statistics Canada, converted at the rate of US\$1.00=C\$1.4015. Canada's export ranking is from the Massachusetts Institute for Social and Economic Research (MISER). Figures may not add up due to rounding.

Security, Trade & Our Shared Border

In 1996, Canada and the United States implemented a comprehensive Shared Border Accord to deepen cooperation on border management issues. However, the tragic events of September 11th greatly accelerated those efforts, and on December 12, 2001, Secretary Ridge and (former) Deputy Prime Minister John Manley launched the Smart Border Declaration. The declaration outlined a 32-Point Action Plan based on our shared objective in identifying and addressing security risks while efficiently expediting the legitimate flow of people and goods across our border. The 32-Point Smart Border Action Plan takes aggressive steps toward building a smart border for the 21st century — a border open for business but closed to terrorists.

The Smart Border Declaration also addresses border delays that followed the 9/11 attacks and commits both countries to relieving congestion at key ports of entry by investing reciprocally in border infrastructure and technological solutions to speed movement across the border. The Declaration states both governments' intent to identify and minimize threats to critical infrastructure such as airports, ports, bridges and tunnels.

Both governments also recognize that public security and economic security are mutually reinforcing. We have agreed to work together to identify security threats before they arrive in North America through collaborative approaches such as reviewing crew and passenger manifests, managing refugees and visa policy coordination. We also have established a secure system to allow low risk frequent travelers between our two countries to move efficiently across the border.

One truck crosses our shared border every 2.5 seconds — representing 45,000 trucks per day, each and every day. The Smart Border Plan establishes compatible cargo entry processes at the border and secure procedures to clear goods away from the border, including at rail yards and marine ports. For instance, Canadian and US Customs inspectors work side by side at seven of our largest seaports — jointly targeting marine in-transit containers.

Through coordinated efforts, Canada and the United States are addressing issues such as terrorism and cross-border crime. The Smart Border Declaration makes two commitments specific to fostering information sharing: we will put the necessary tools and legislative framework in place to ensure that information and intelligence is shared in a timely and coherent way and we will strengthen coordination between our enforcement agencies for addressing common threats. Integrated Border and Marine Enforcement Teams (IBET/IMET) at points between ports of entry enhance such communication flow and allow us to target priority areas.

Read more about the Smart Border Action Plan at www.canadianembassy.org/border/

For more information on Canada's trade with California, please contact:

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