

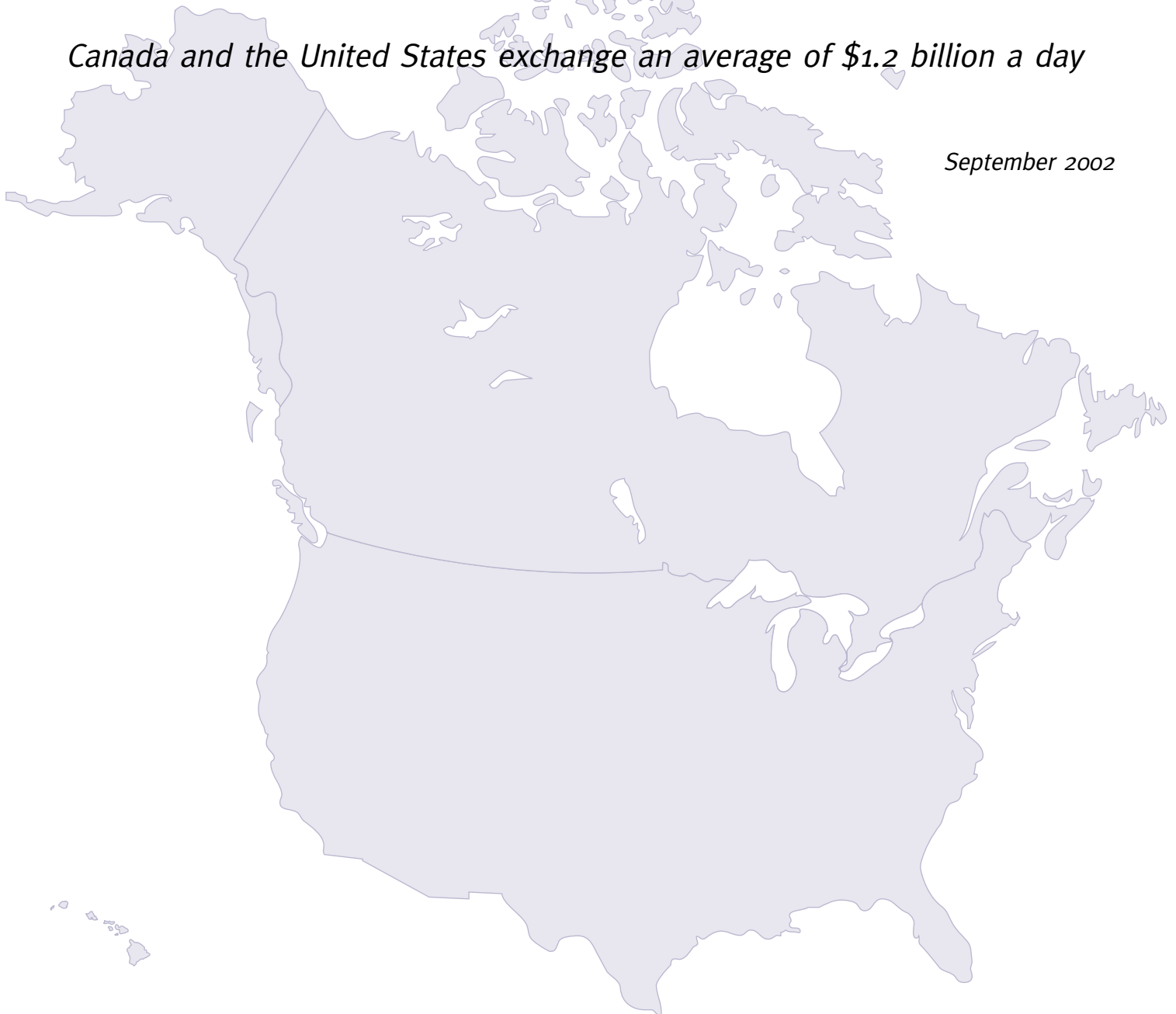


CANADA– UNITED STATES:

THE WORLD'S LARGEST TRADING RELATIONSHIP

Canada and the United States exchange an average of \$1.2 billion a day

September 2002



United States–Canada Trade Flows Are the Largest in the World

UNITED STATES–CANADA TRADE FLOWS ADD UP TO \$1.2 BILLION PER DAY

The two-way flow of goods, services and income between Canada and the United States constitutes the largest bilateral economic relationship in the world.

In 2001, U.S. transactions with Canada reached \$445 billion, an average of \$1.2 billion per day. The U.S. exchange with Canada was worth 61% more than its second largest trading relationship, with Mexico.

Largely as a result of the global economic slowdown, the sum of U.S. transactions with Canada decreased by 9% from 2000 to 2001, the same percentage decrease as in its transactions with the entire world.

CANADA BUYS NEARLY A QUARTER OF ALL U.S. EXPORTS OF GOODS

In 2001, the United States sold \$163 billion worth of goods to Canada.

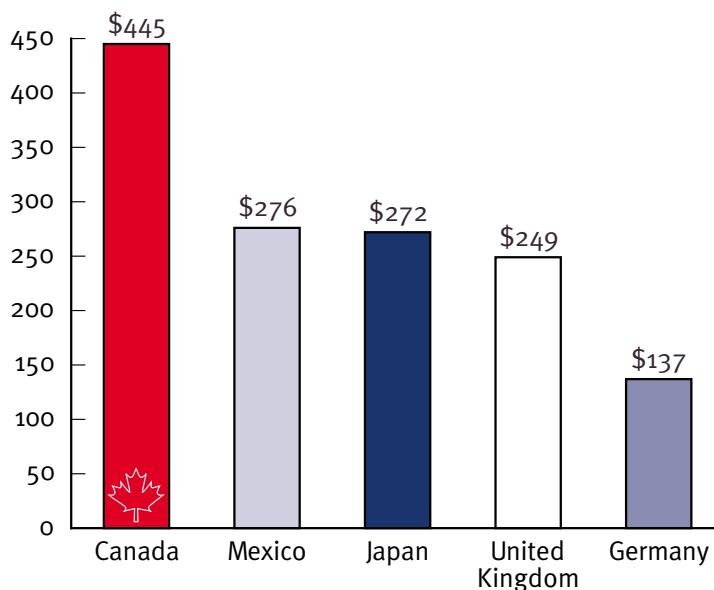
Canada, with a population less than one-ninth the size of that of the United States, bought an average of \$5,254 worth of U.S. goods per capita. The United States bought \$219 billion worth of Canadian merchandise, approximately \$768 for every American.

Canada bought more U.S. goods than all 15 countries of the European Union combined and more than all of Latin America and the Caribbean.

In 2001, U.S. exports to the province of Ontario alone were worth almost twice as much as those to Japan.

U.S. Transactions with Leading Partners

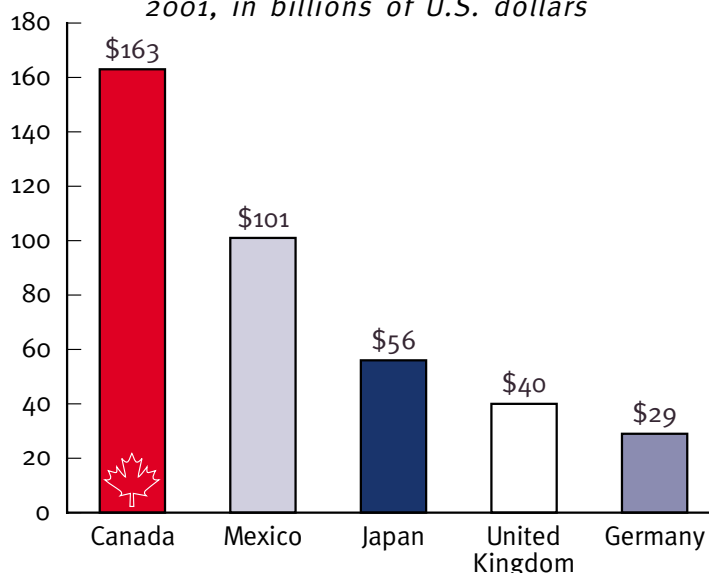
*Exports and Imports, Goods, Services and Income
2001, in billions of U.S. dollars*



Source: U.S. Department of Commerce

U.S. Exports of Goods

2001, in billions of U.S. dollars



Source: U.S. Department of Commerce

Notes

1. All figures are in U.S. dollars.
2. Trade figures are calculated on balance of payments basis.
3. Percentages may not add up due to rounding.

4. Figures for investment and for U.S. current account with Mexico and Germany are preliminary.
5. Figures on per capita purchases are calculated based on U.S. Census Bureau and Statistics Canada data.

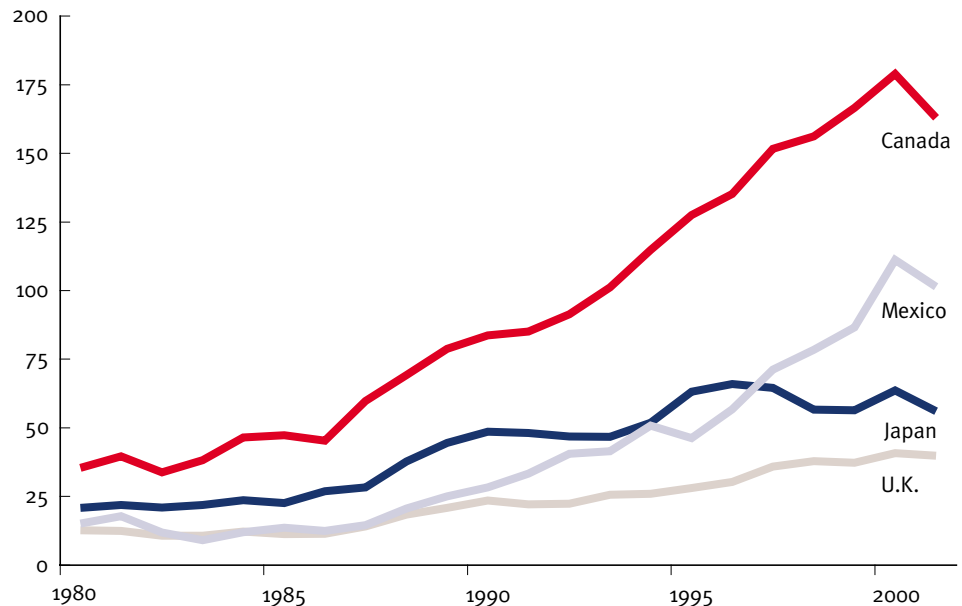
Canada Is the United States' Leading Foreign Export Market

THE UNITED STATES HAS SOLD MORE GOODS TO CANADA THAN TO ANY OTHER COUNTRY IN EACH OF THE LAST 56 YEARS

Historically, Canada has been the leading foreign export market for U.S. goods. U.S. merchandise exports to Canada have consistently exceeded exports to other countries by wide margins. In the past 20 years, U.S. merchandise exports to Canada have quadrupled.

In 2001, Canada was the leading export market for 37 of the 50 states.

U.S. Exports of Goods 1980–2001, in billions of U.S. dollars



Sources: U.S. Department of Commerce, Statistical Abstract of the United States

THE UNITED STATES HAS A SURPLUS IN SERVICES TRADE WITH CANADA

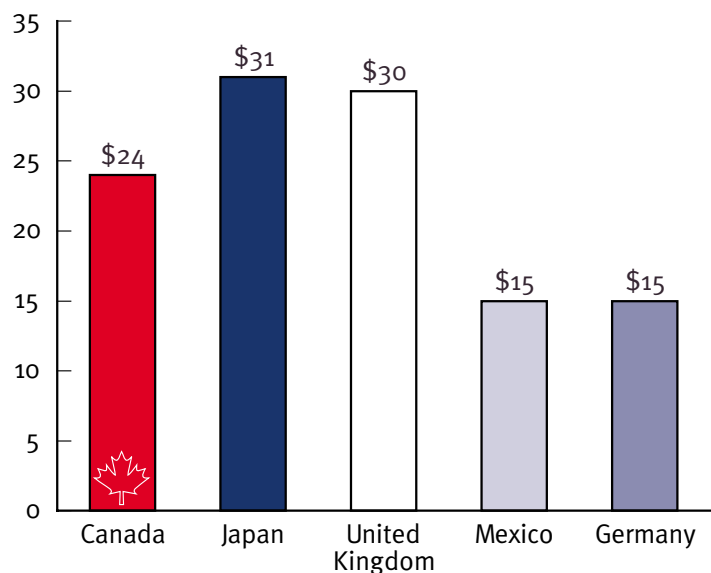
The United States leads the world in the export of services, ranging from computer software, to transportation, to professional expertise.

Canada continues to be a top customer, with purchases of \$24 billion in 2001. U.S. exports of services to Canada rose by 3% over the previous year, while its exports to the world fell by 4%.

Canada provided the United States with \$18 billion worth of services in 2001.

In recent years, the United States has consistently posted a surplus in services trade with Canada, while Canada has recorded a surplus in the exchange of goods.

U.S. Exports of Services 2001, in billions of U.S. dollars



Source: U.S. Department of Commerce

Free Trade Agreements Have Benefited All the Partners

U.S.-CANADA TRADE HAS MORE THAN DOUBLED UNDER THE FTA AND NAFTA

The Free Trade Agreement (FTA) liberalizing trade between Canada and the United States went into effect January 1, 1989. Between 1988 and 1993, the two-way exchange of goods, services and income increased by one-third.

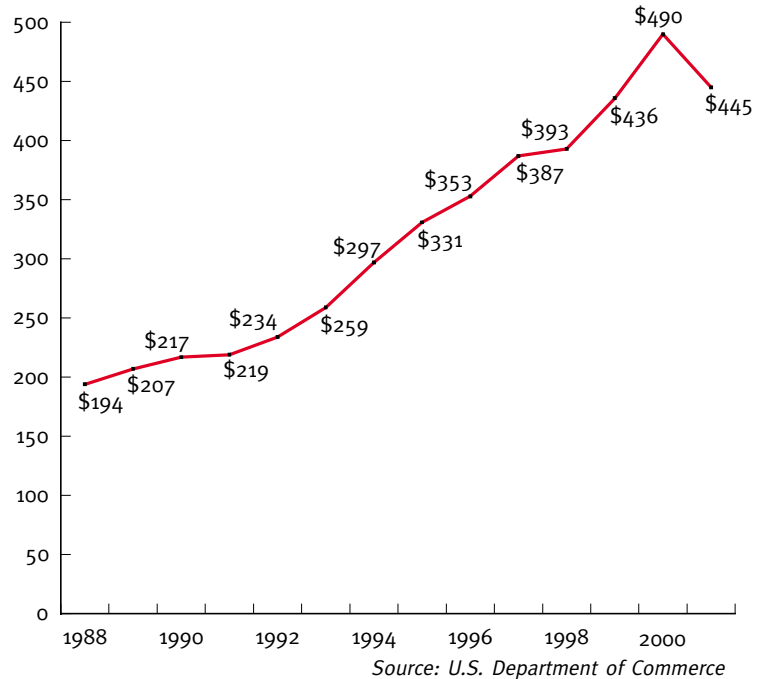
The agreement was expanded in 1994 when Mexico joined the partnership under the North American Free Trade Agreement (NAFTA). Trade between Canada and the United States has continued to flourish, growing by 50% between 1994 and 2001.

THE UNITED STATES' CURRENT ACCOUNT DEFICIT WITH CANADA AMOUNTS TO ONLY 6% OF ALL BILATERAL TRANSACTIONS

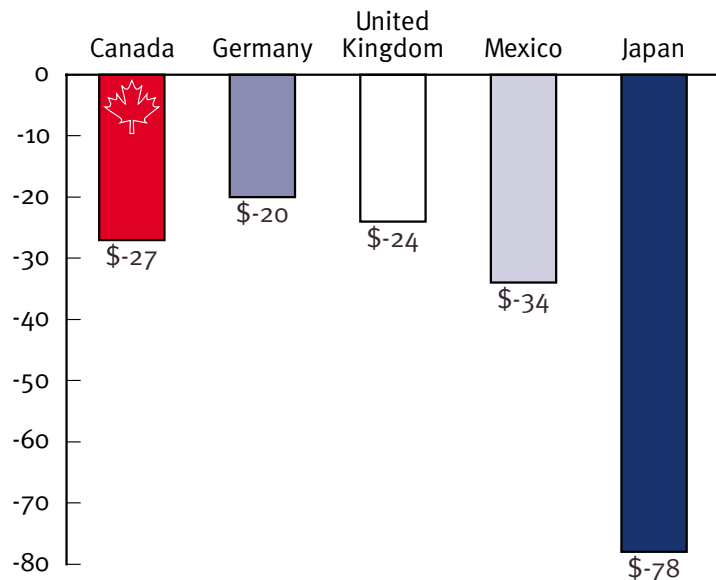
The U.S.-Canada current account — the balance of trade in goods, services and income flows — has shifted back and forth over the past few decades. In 2001, Canada's current account surplus decreased from \$30 billion to \$27 billion.

The U.S. current account with the world showed a negative balance of \$393 billion, 14% of all its international transactions.

U.S. Transactions with Canada Exports and Imports, Goods, Services and Income 1988–2001, in billions of U.S. dollars



U.S. Current Account Balance 2001, in billions of U.S. dollars



Source: U.S. Department of Commerce

Canada and the United States Invest in Each Other's Future

CANADA RANKS SECOND IN U.S. INVESTMENT ABROAD

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

In 2001, a record \$25 billion in new direct investment flowed into Canada from the United States. The total U.S. stock in Canada at the end of the year amounted to \$139 billion.

The United States is by far the largest foreign source of capital in Canada, accounting for 67% of the total stock. This represented 10% of all U.S. direct investment abroad.

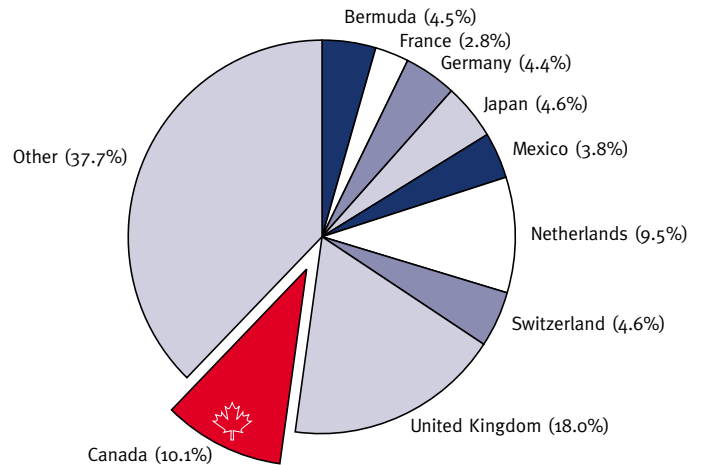
The bulk of U.S. investment in Canada, 39%, was in the manufacturing industries, led by transportation, which made up 10% of the total. Finance, insurance and real estate together accounted for 27%, and petroleum for 17%.

CANADA LED NEW FOREIGN INVESTMENT IN THE UNITED STATES IN 2001

Canadian investors spent almost \$17 billion to acquire or establish businesses in the United States, more than any other country invested.

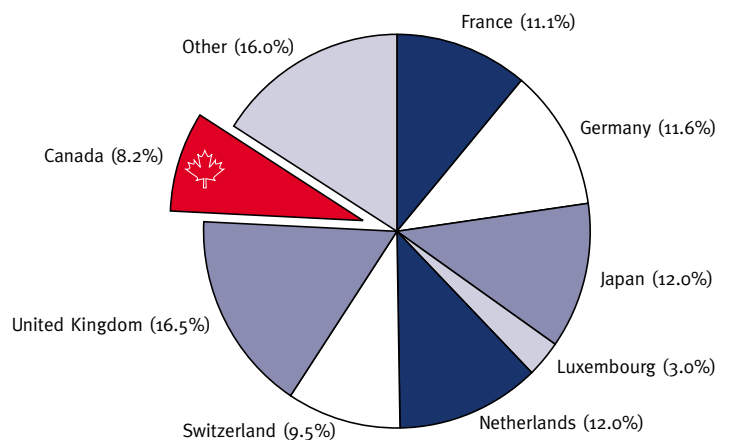
Half of all Canadian direct investment abroad is in the United States. At the end of 2001, Canada had an accumulated total of \$109 billion invested there, 8% of all foreign direct investment in the United States. Almost 37% was in the manufacturing sector, led by machinery firms with 15% of the total. Finance, insurance and real estate accounted for another 36%, and service industries for 5%.

U.S. Direct Investment Abroad* 2001, shares of host countries



Source: U.S. Department of Commerce: Survey of Current Business, July 2002

Foreign Direct Investment Position in the U.S.* 2001, shares of parent countries



Source: U.S. Department of Commerce: Survey of Current Business, July 2002

*On a historical-cost basis at year-end.

MORE THAN HALF OF ALL U.S. AUTOMOTIVE EXPORTS GO TO CANADA

Canada and the United States are involved in an integrated and mutually profitable trade in automobiles, trucks and auto parts. In 2001, transportation equipment accounted for almost a third of both U.S. merchandise exports to and imports from Canada. U.S. manufacturers sold over \$23 billion in motor vehicle parts, engines and engine parts, and \$13 billion worth of automobiles and trucks to Canada. The United States bought \$40 billion worth of autos and trucks and \$14 billion in parts and engines from Canada.

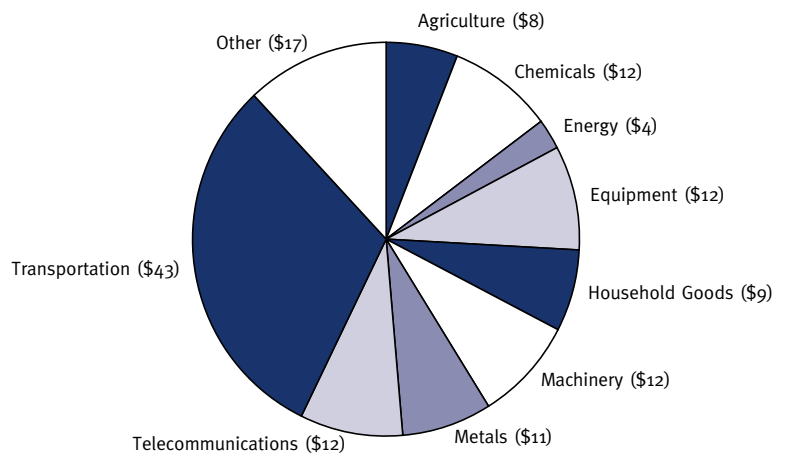
U.S. exports to Canada also included \$12 billion in high-tech equipment, in particular, \$6 billion worth of computers and \$2 billion worth of tubes and semi-conductors. The United States supplied Canada with a variety of other goods, including \$8 billion in agricultural products, \$3 billion in pharmaceuticals, \$2 billion in organic chemicals and \$2 billion in paper.

CANADA IS THE UNITED STATES' LEADING FOREIGN SOURCE OF ENERGY

Canada's energy exports to the United States totalled \$35 billion in 2001. Exports included \$17 billion in natural gas, \$10 billion in crude petroleum, and \$6 billion in petroleum and coal products. In addition, Canada supplied close to 100% of U.S. electricity imports, worth \$2 billion.

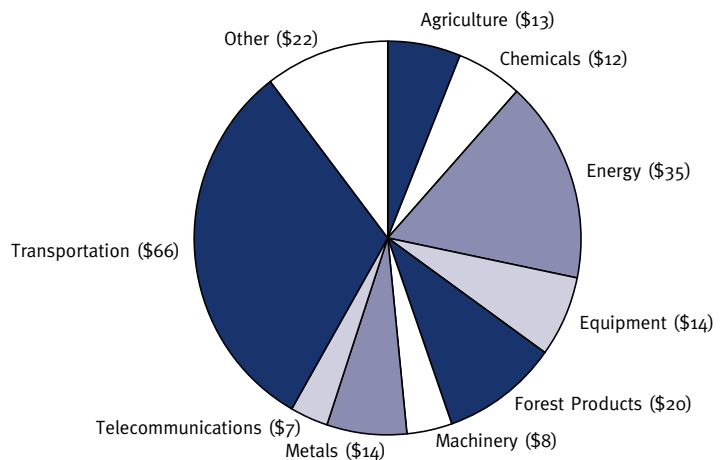
Canadian forest product exports amounted to \$20 billion and included \$6 billion in softwood lumber and \$5 billion in newsprint. The United States also purchased \$8 billion in airplanes, their engines and parts; \$4 billion in aluminum and aluminum alloys; and \$3 billion in office machines.

U.S. Exports of Goods to Canada
2001, in billions of U.S. dollars



Source: Statistics Canada

U.S. Imports of Goods from Canada
2001, in billions of U.S. dollars



Source: Statistics Canada



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