Trade and Investment Monitor

Special Feature:
Canada's Trade Linkages with Asia

2002

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Part 1: Main Messages

- Canada's export performance suffered a set-back in 2001 as the United States (U.S.) entered a severe downturn contributing to the first decline in exports in more than a decade. Imports were hit even more severely which, combined with stronger energy prices, contributed to a record surplus in the current account.
- The outlook for 2002 continues to be uncertain but will likely be an improvement over 2001. However, unlike past years, domestic growth may outstrip growth in trade in 2002.
- Services, as a share of total trade, increased in 2001 after falling for most of the 90s, largely due to poor merchandise trade growth rather than strong growth in services trade. The low value of the dollar, the tragic events of September 11th, and the economic slowdown reduced travel spending abroad while at the same time improving the travel balance.
- The enormous decline in cross-border foreign direct investment (FDI) flows in 2001 dwarfs the decline in trade. The burst of the high-tech bubble and the resulting slowdown in mergers and acquisitions (M&As) is primarily responsible for this development.

Section A
A Preliminary Look At Canada's International Performance in 2002

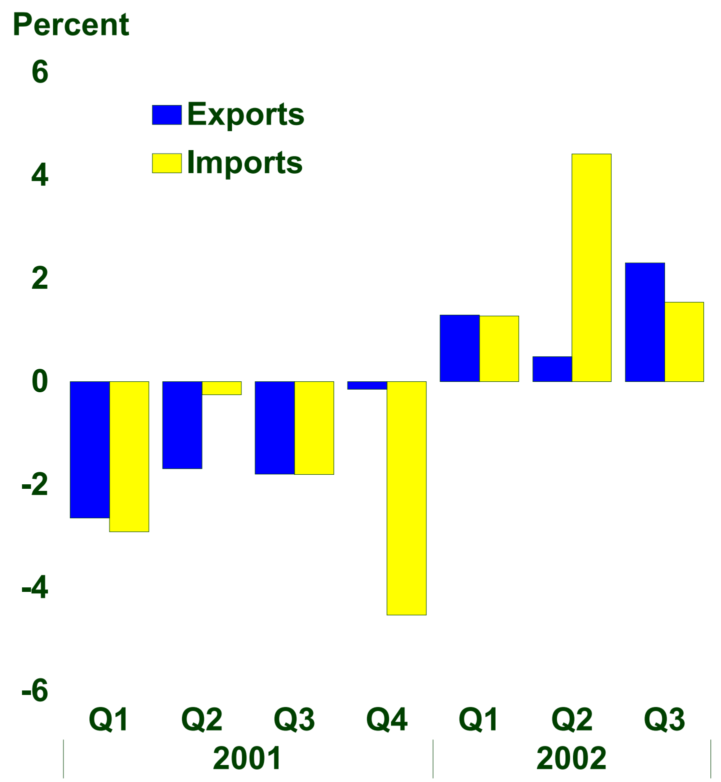
Highlights

- In 2002, the Canadian economy has performed better than was commonly expected going into the year and significantly better than the U.S.
- Available data indicate that Canada's international performance will not be as strong as domestic performance. Exports are likely to improve only modestly over 2001 and remain well below the levels reached in the late 1990s and 2000.
- FDI, both inward and outward, remains at significantly depressed levels following the burst of the high-tech bubble and weak economic performance in the U.S., Europe and Japan.

Exports and imports have shown some strength in 2002...

- Both, real exports and imports, have managed to rebound in 2002.
- However, uncertain conditions in the U.S. will likely moderate trade performance in Canada over the short run.
  - Export growth averaged -2.0 percent over the first three quarters of 2001 compared to 1.4 percent in 2002. For imports it was -1.7 percent and 2.4 percent respectively.

Quarterly Growth of Real Exports and Real Imports of Goods and Services*

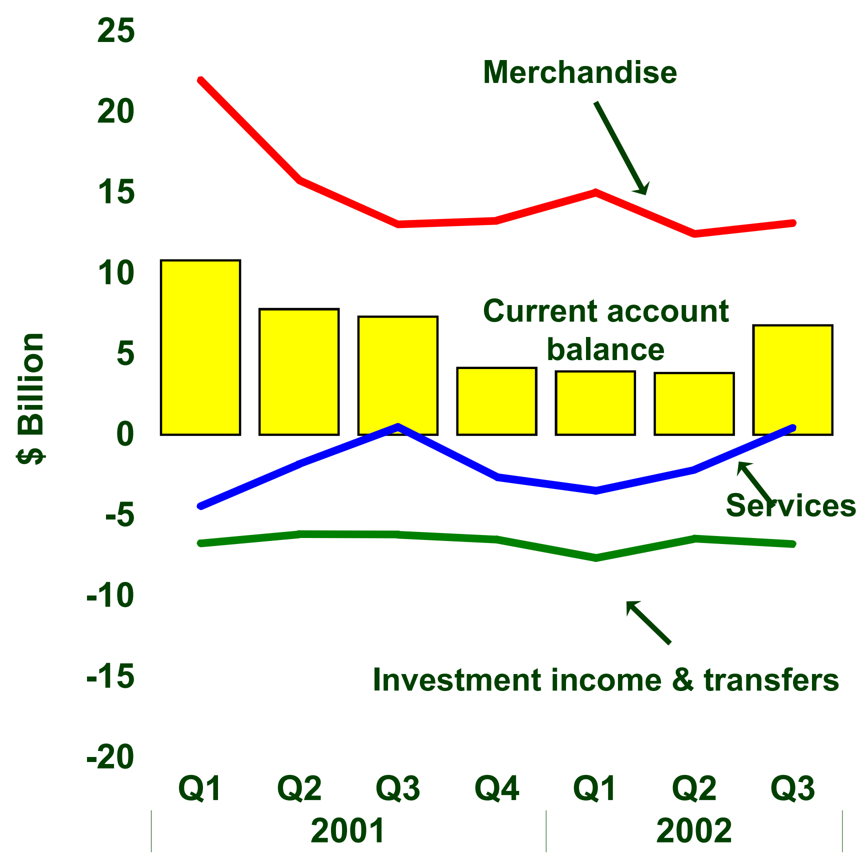


* Annualized data
Source: Compilations based on Statistics Canada data

...however, the current account has not yet shown signs of recovery...

- The current account balance continued to be depressed in the first two quarters of 2002.
- Some moderate signs of strength began to show in the third quarter of 2002, driven by an improvement in the services account - while the merchandise trade balance remained steady after falling considerably in the first two quarters of 2001.

Current Account Balance by Category

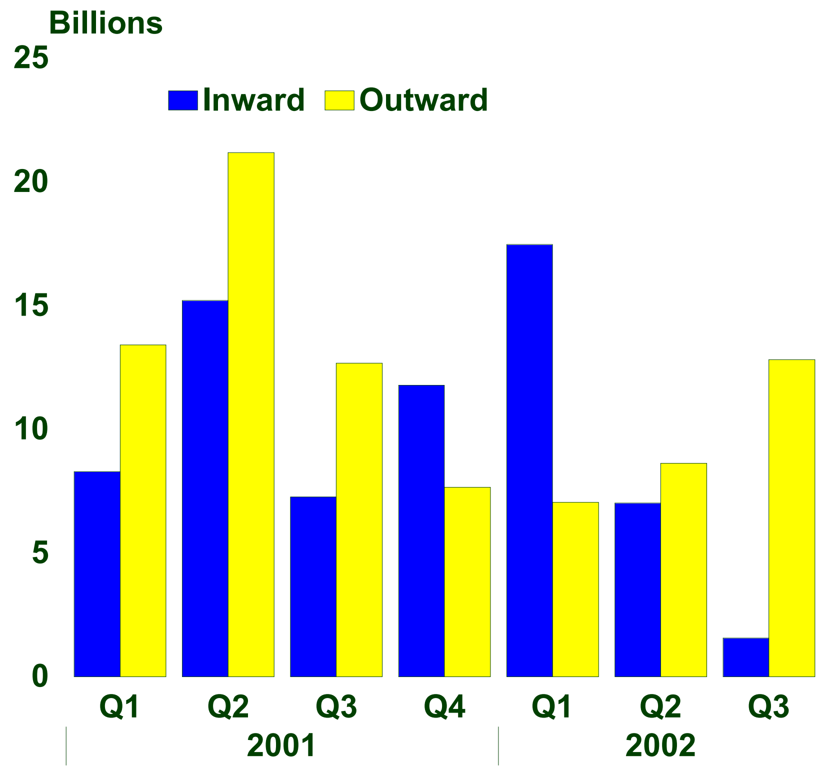


Source: Compilations based on Statistics Canada data

...and FDI flows continue to fall...

- Both, inward and outward FDI flows remain well below the high levels of the late 1990s and 2000.
  - FDI inflows in 2001 were down to $42.5 billion from $94.1 billion in 2000 while outward FDI flows were down more modestly to $54.9 billion from $65.4 billion a year earlier.
- There are few signs of recovery in 2002.

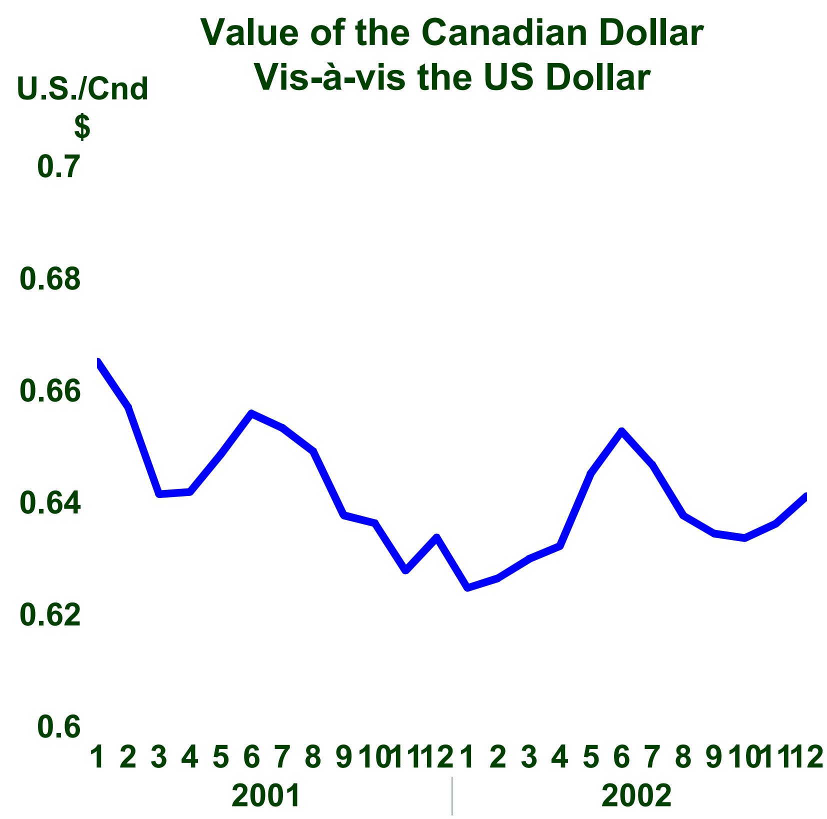
Quarterly Inward and Outward Foreign Direct Investment Flows



Source: Compilations based on Statistics Canada data

...and the dollar has made only modest gains

- Despite strengthening real energy and commodity prices and a strong forecast of economic performance for the coming year, the Canadian dollar strengthened only marginally from 0.625 to 0.641$US
- Despite a Canadian economy that is outperforming the U.S., our dollar remains weak. The expected negative impact of a weak U.S. economy on our economic performance could provide a partial explanation.



Source: Compilations based on Statistics Canada data

Section B
Canada's Trade Performance in 2001: An Overview

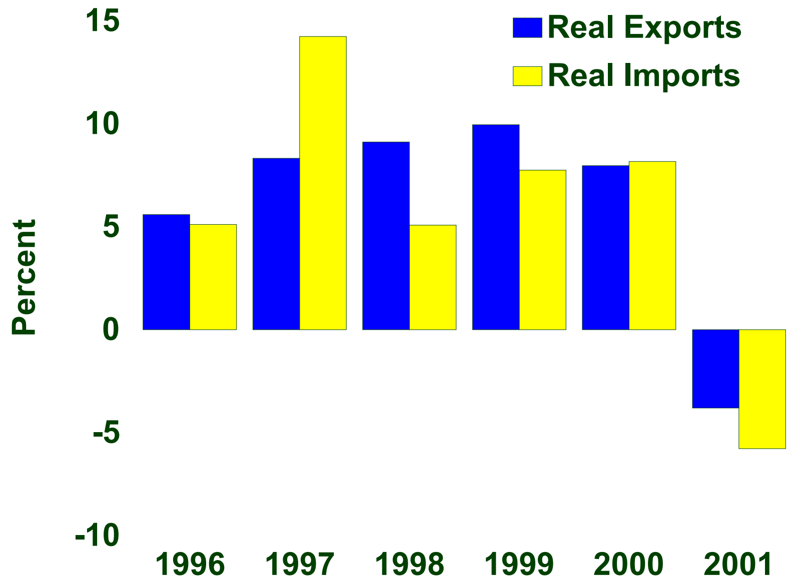
Highlights

- Real exports and imports were down significantly in 2001 with a faster decline in imports leading to a record surplus in the current account.
- The emerging markets of China, Mexico and India continue to pose a competitive challenge for Canada, increasing their market share in both Canada and the U.S. In 2001, China surpassed Canada to become the sixth largest exporter in the world.
- Large exporters continue to dominate Canada's exports and have been increasing in importance in recent years.
- Canadian exports continued to diversify into non-resource-based manufactured industries although strengthening energy prices boosted the value of exports in that sector in 2001.

Canadian real exports and imports declined in 2001...

- For the first time in over a decade, both real exports and imports in Canada declined in 2001, dropping by 3.8 and 5.8 percent respectively, compared to the 8.0 percent growth in real exports and 8.2 percent growth in real imports in 2000.
- The global economic slowdown, especially in the U.S., is chiefly responsible for the deterioration of Canada's trade performance.

Annual Growth of Real Exports and Real Imports of Goods and Services



Real Exports & Imports of Goods & Services, $ Billion

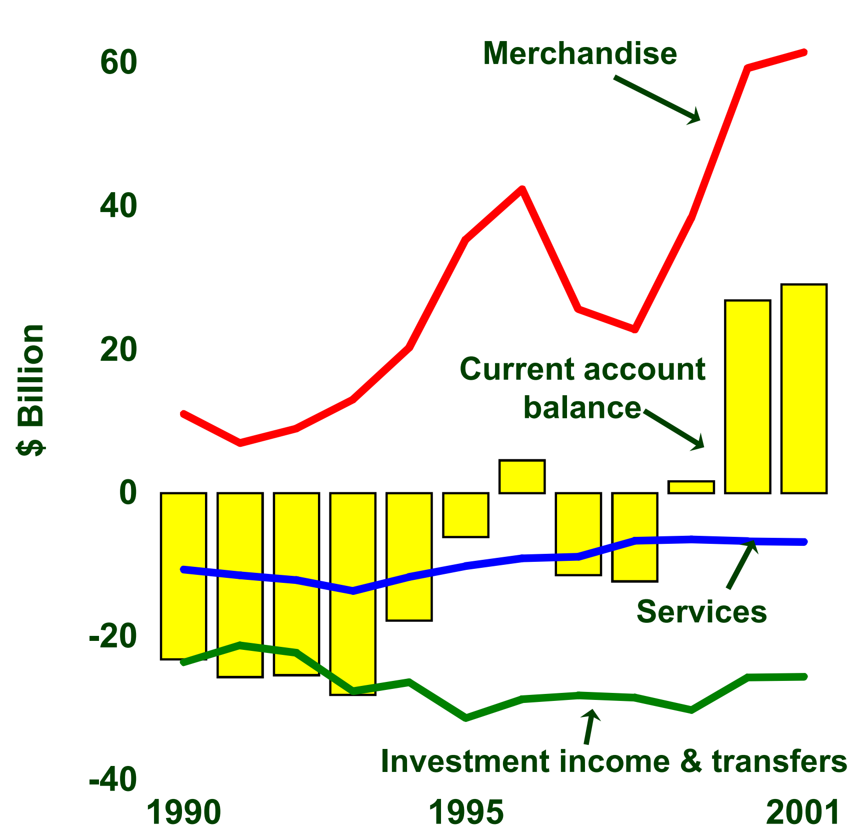
	1998	1999	2000	2001
Exports	152	167	181	174
Imports	139	150	162	153

Source: Compilations based on Statistics Canada data

...however, the current account achieved another record surplus...

- The merchandise trade account posted a record surplus of $61.6 billion in 2001, up $2.3 billion from the previous year.
- This pushed the over-all current account to a record surplus of $29.1 billion, compared to $26.9 billion in 2000.
- The services account remained relatively unchanged from the previous year, posting a deficit of $6.8 billion as did the investment income and transfers account which posted a deficit of $25.6 billion.

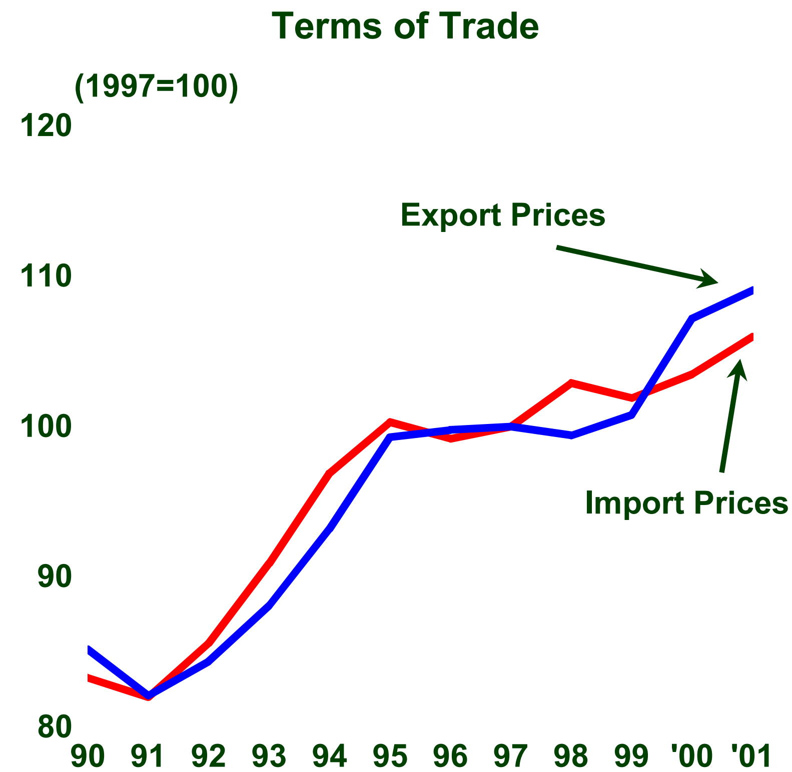
Current Account Balance by Category



Source: Compilations based on Statistics Canada data

...while the gap between export and import prices closed somewhat

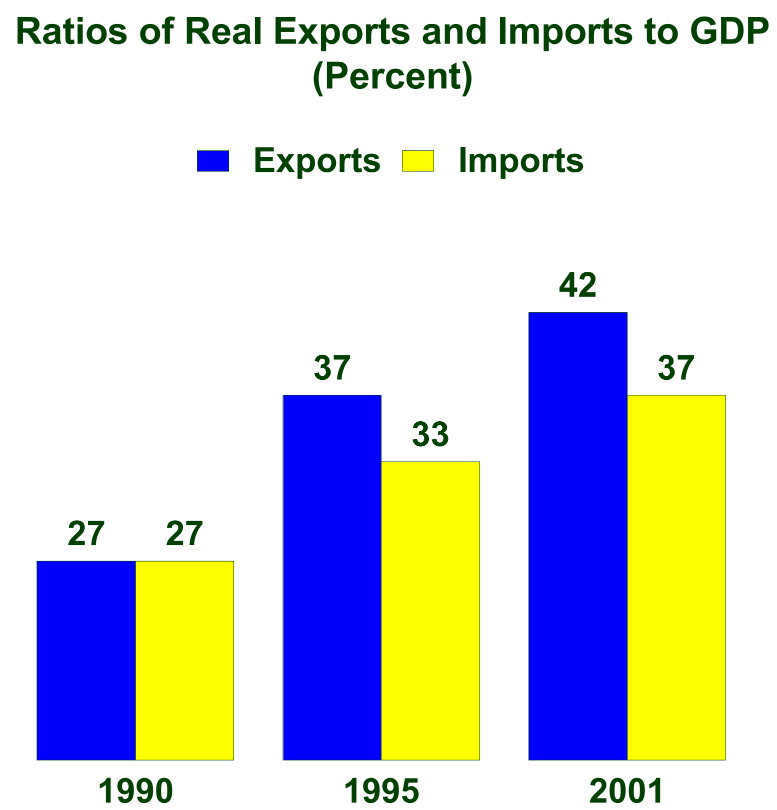
- Stronger prices for natural resources, particularly energy, drove import prices higher in 2001, reducing the gap between import and export prices somewhat.



Source: Compilations based on Statistics Canada data

Canada's trade orientation dipped slightly in 2001, but still remains well above historic levels

- **Canada's trade orientation (ratio of exports and imports to Gross Domestic Product (GDP) fell slightly in 2001.**
- **Export orientation fell one percentage point to 42.0 percent while imports fell three percentage points to 37.0 percent.**
- **Canada's trade orientation still remains well above that in 1995.**

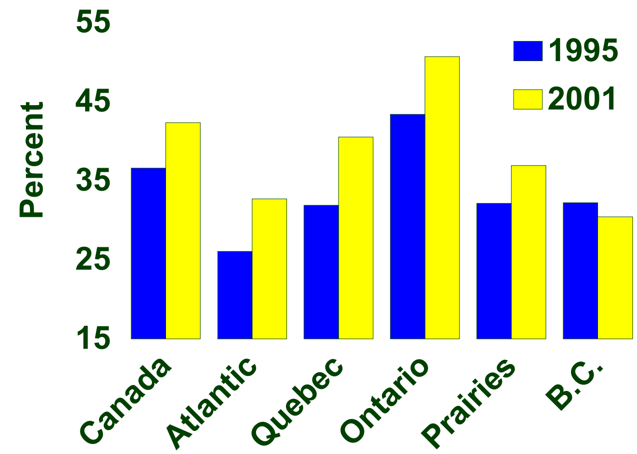


Source: Compilations based on Statistics Canada data

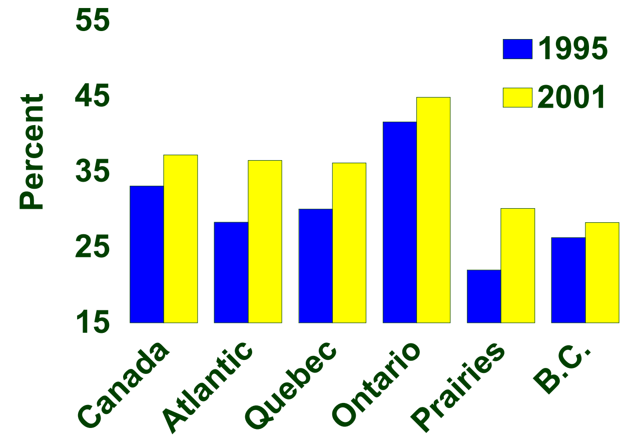
Trade orientation is up from 1995...

- The rapid surge in export orientation and import penetration was pervasive across nearly all Canadian provinces.
  - Ontario remains, by a considerable margin, the most outward-oriented province for both imports and exports.
  - The Atlantic provinces experienced the most rapid growth in trade orientation since 1995, but was also the only region where real imports exceeded real exports.
  - Quebec followed very closely behind the Atlantic region for having the fastest growth in outward orientation, but unlike Atlantic Canada, Quebec's growth was fueled by growth in exports.
  - B.C. had the weakest trade performance between 1995 and 2001 and was the only province to see a decline in the ratio of exports to GDP. In 2001, B.C. also had the distinction of having the lowest trade orientation of any Canadian province/region.

Ratio of Real Exports to GDP



Ratio of Real Imports to GDP

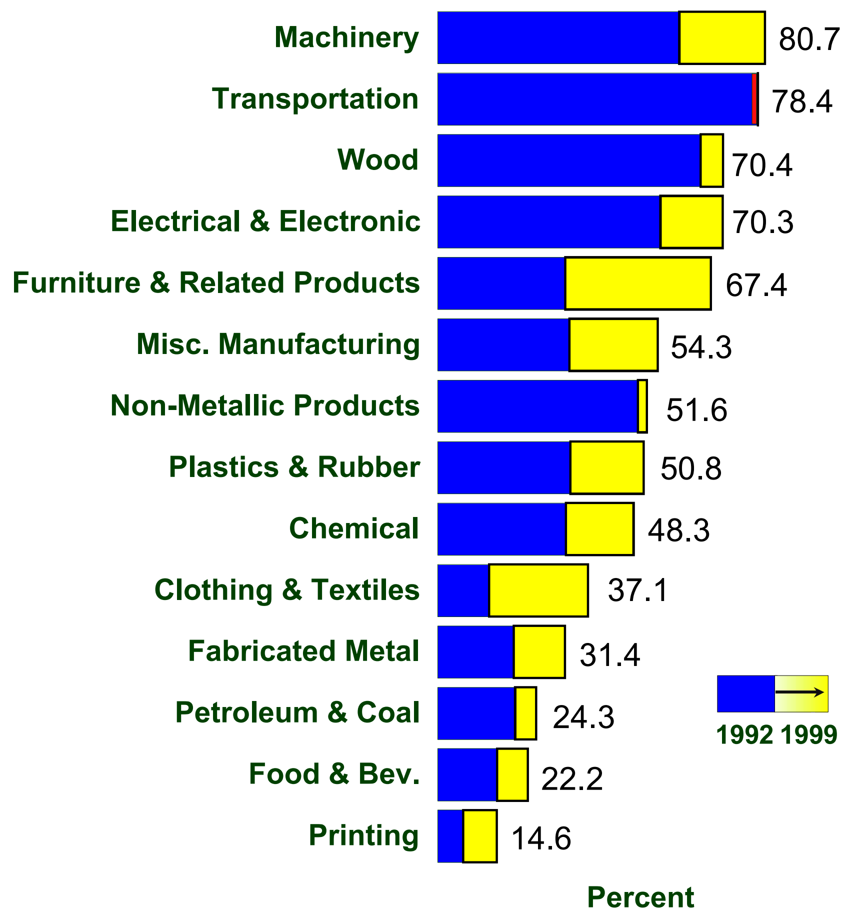


Source: Compilations based on Statistics Canada data

...and for nearly all manufacturing industries

- Nearly every industry experienced an increase in export orientation over the 1990s.
  - Only transportation equipment saw a slight decline not due to lower exports, but rather to a significant increase in domestic demand. It remains one of the most outward-oriented industries in Canada.
- Furniture & Related Products and Clothing & Textiles, experienced the greatest increase in export orientation over the 1990s, driven by rapid transformation towards increased cost competitiveness and improved productivity after the implementation of the Free Trade Agreement (FTA).

Manufacturing Exports as a Percentage of Shipments

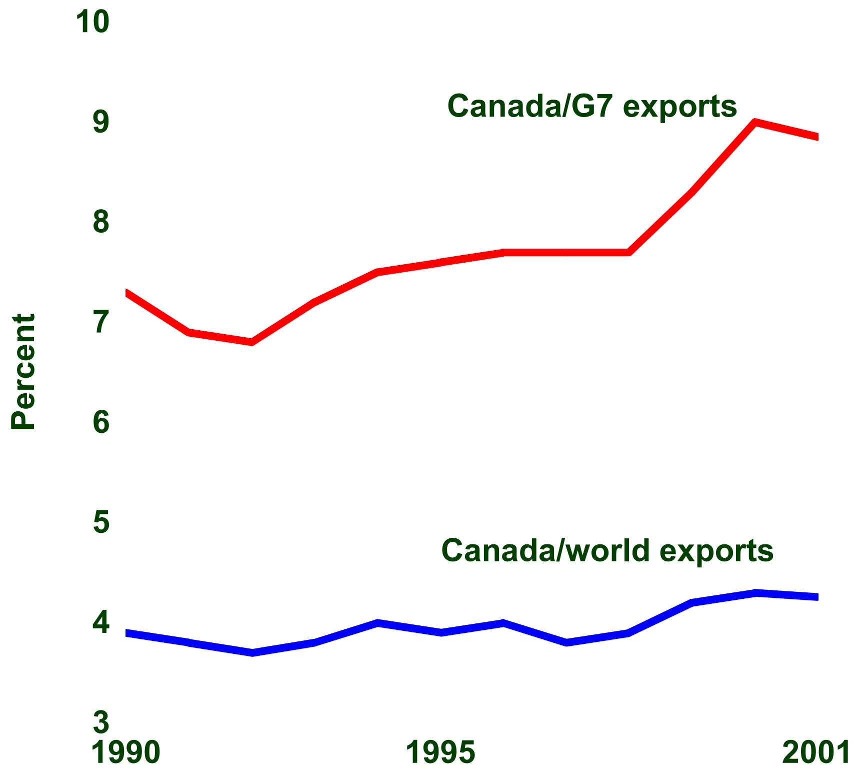


Source: Compilations based on Statistics Canada data

Canada's share of G7 and world exports slipped somewhat in 2001

- Canada's share of G7 exports fell slightly, from 9.0 percent in 2000 to 8.8 percent in 2001 and our share of world exports fell from 4.3 percent to 4.2 percent.
    - However, Canada's share of world and especially G7 exports is still well above levels of the early 1990s.
- Canada's large dependance on the U.S. market for our exports, which is currently in a down-turn, was largely responsible for this drop.

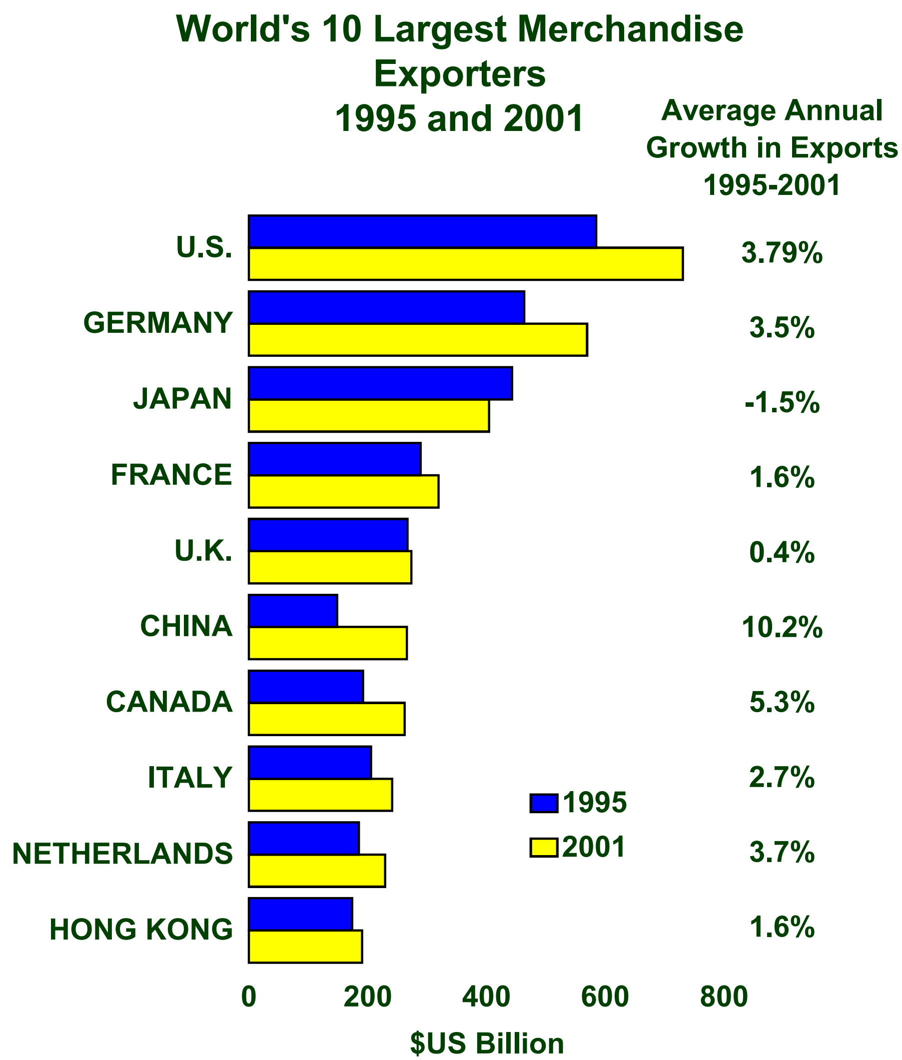
Canada's Share of G7, and World Merchandise Exports



Source: Compilations based on data from the World Trade Organization.

China surpassed Canada to become the world's sixth largest exporter in 2001

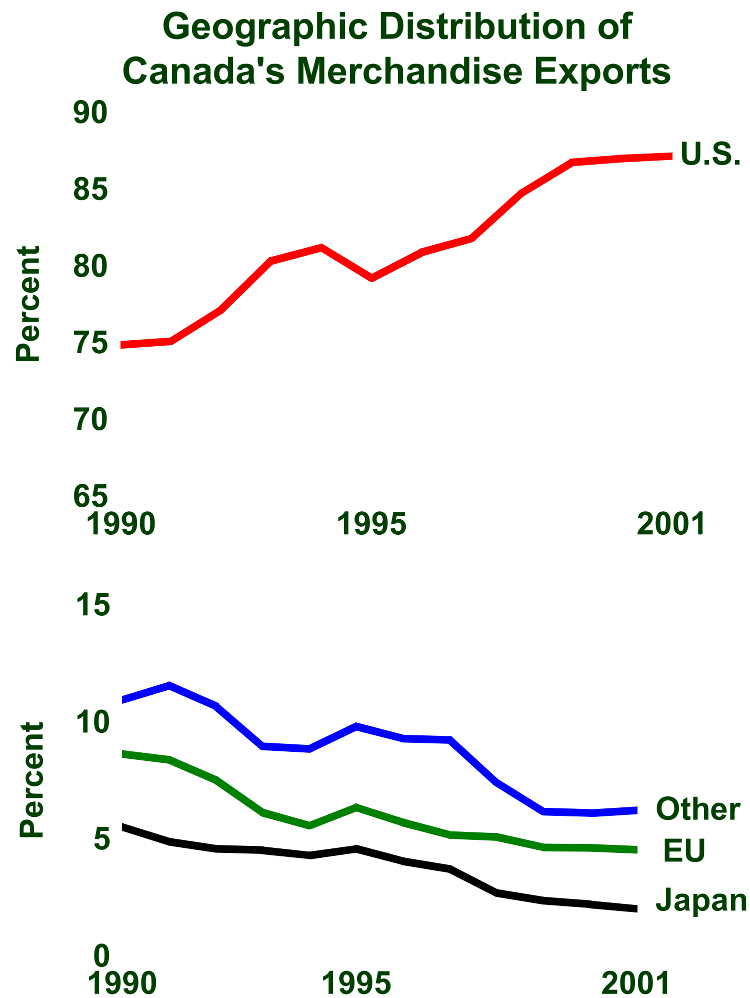
- Canada managed the second highest rate of export growth among the world's ten largest exporters between 1995 and 2001.
- But, China managed an impressive average annual rate of growth of exports of 10.2 percent over the same period. Consequently, China emerged as the sixth largest exporter in the world.
    - At its current pace, China will surpass the U.K. next year and will claim the number five spot.



Source: World Trade Organization

The importance of the U.S. market for our exports leveled off...

- Since 1990, the U.S. share of Canadian merchandise exports has increased by more than twelve percentage points from less than 75.0 percent in 1990 to more than 87.0 percent in 2001.
  - Nevertheless the growth in the importance of the U.S. market in Canadian exports has slowed considerably over the past three years and preliminary indications are that it may even fall somewhat in 2002.
- The share of all other destinations fell over the 1990-2001 period, especially Japan, which is still struggling with its economic difficulties.



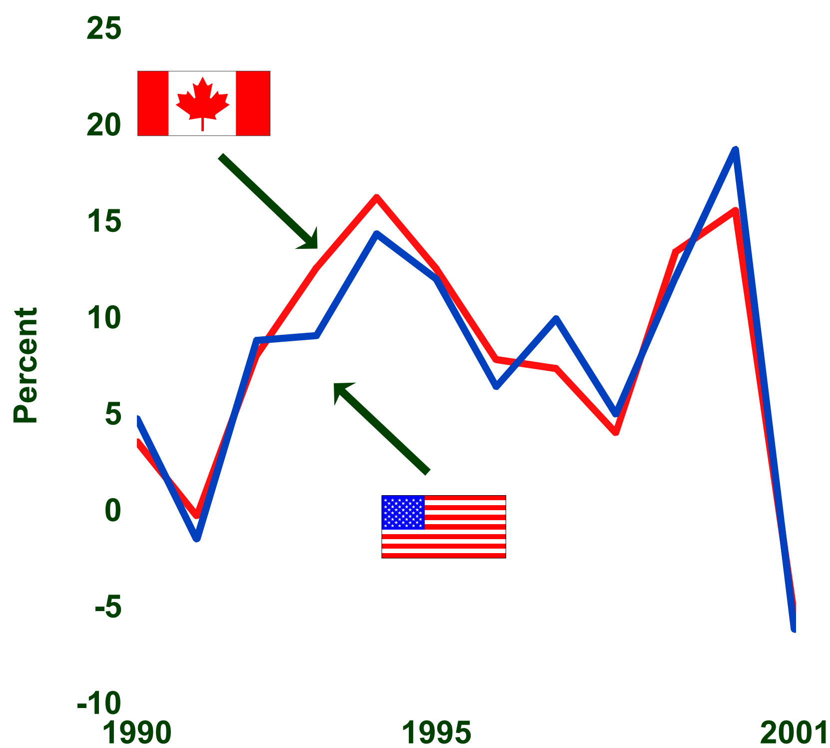
Canada's Total Merchandise Exports, $ Billion		
1990	1995	2001
149	262	402

Source: Compilations based on Statistics Canada data

...as both U.S. demand and Canadian exports plummeted

- There has been a very strong correlation between the growth rate of total U.S. merchandise imports and Canadian merchandise exports to the U.S. over the nineties.
  - This correlation has continued to hold into 2000 and 2001.
  - 2001 saw a dramatic decline in U.S. import demand and has resulted in a decline in Canadian total exports for the first time in a decade.

Growth Rate of Total U.S. Merchandise Imports and Canadian Merchandise Exports to U.S.



Source: Compilations based on data from U.S. International Trade Commission

The low dollar continues to drive Canada's competitive position

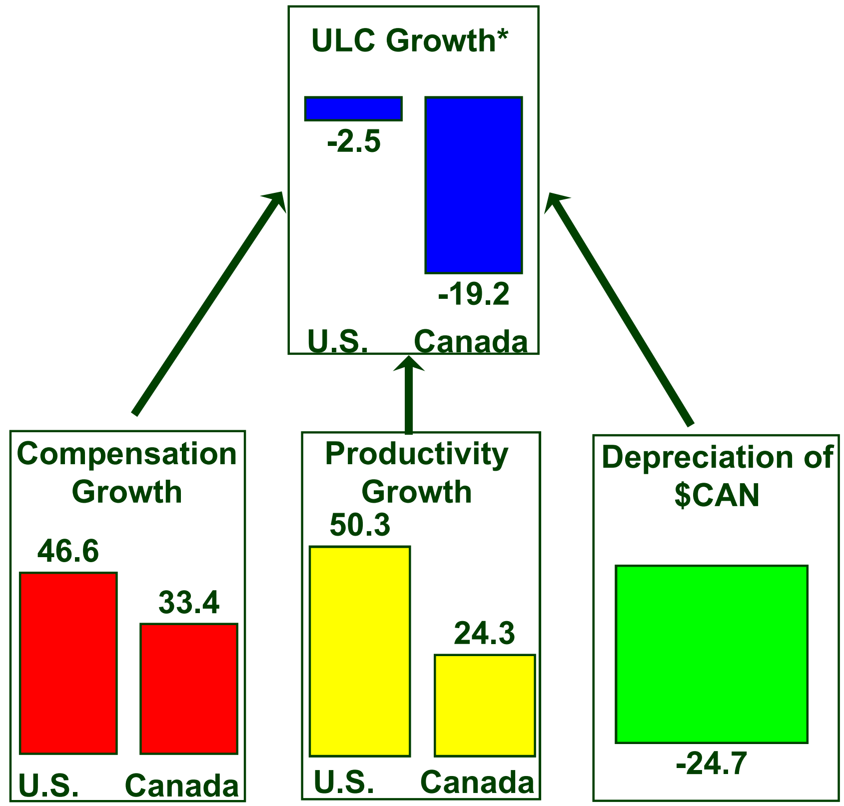
- **Since 1990, Canada's cost competitiveness as measured by unit labour costs (ULC) improved considerably. Canada's ULC declined by 19.2 percent compared to a meager 2.5 percent reduction in the U.S.**

- **But, the Canadian improvements in cost competitiveness came entirely from the depreciation of the dollar.**

  - **Between 1990 and 2001, the Canadian dollar depreciated by 24.7 percent.**

  - **On the other hand, Canada lost substantial ground to the U.S. in productivity. During the 1990-2001 period, U.S. manufacturing productivity increased by over 50.0 percent, more than double the growth in Canada.**

Cumulative Change in the Components of Unit Labour Costs (ULC) in Manufacturing: Canada and the U.S., 1990-2001 (Percent)



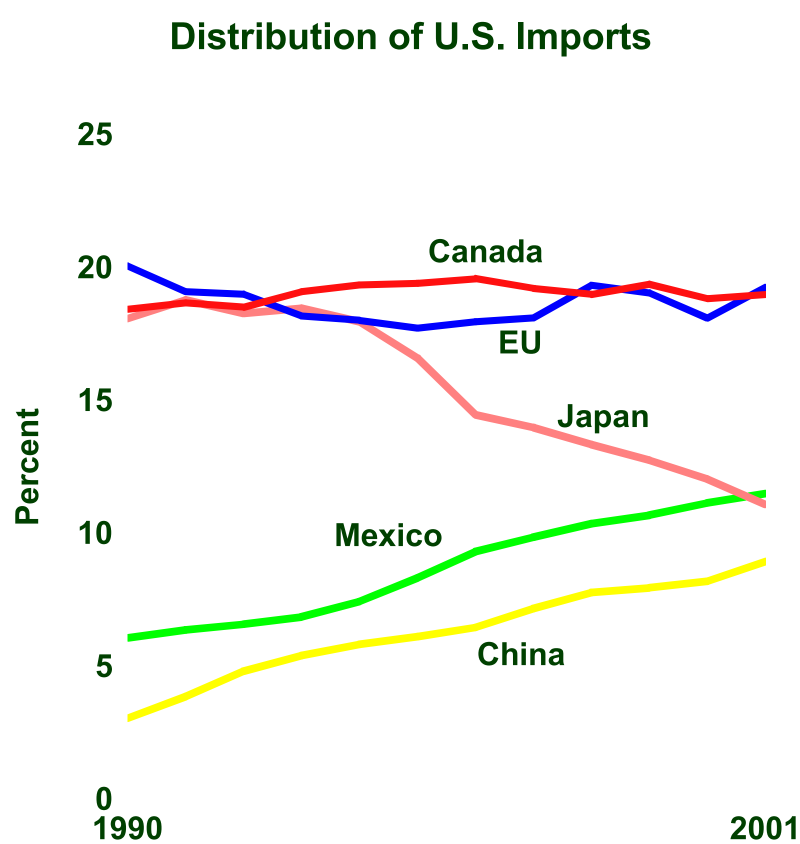
*ULC growth in US dollars

Note: Components are calculated independently and do not add due to the interaction term

Source: Compilations based on data from U.S. Bureau of Labor Statistics

But Canada's share of the U.S. market continued to hold

- Canada's share of U.S. imports has hovered at just below 20.0 percent for more than a decade.
  - The strong correlation between U.S. total merchandise imports and Canadian exports to the U.S. seems to suggest that the two free trade agreements with the U.S. (FTA and NAFTA) and the declining Canadian dollar did not have a significant effect on our market share.
- Over the same period, the shares of Mexico and China have increased dramatically.
  - Mexico's share of U.S. imports increased from 6.0 percent in 1990 to more than 11.0 percent in 2001, surpassing Japan in importance.
  - China's share increased by a similar amount, rising from 3.0 percent to nearly 9.0 percent.
- On the other hand, Japan's share dropped from 18.0 percent in 1990 to 11.0 percent in 2001.



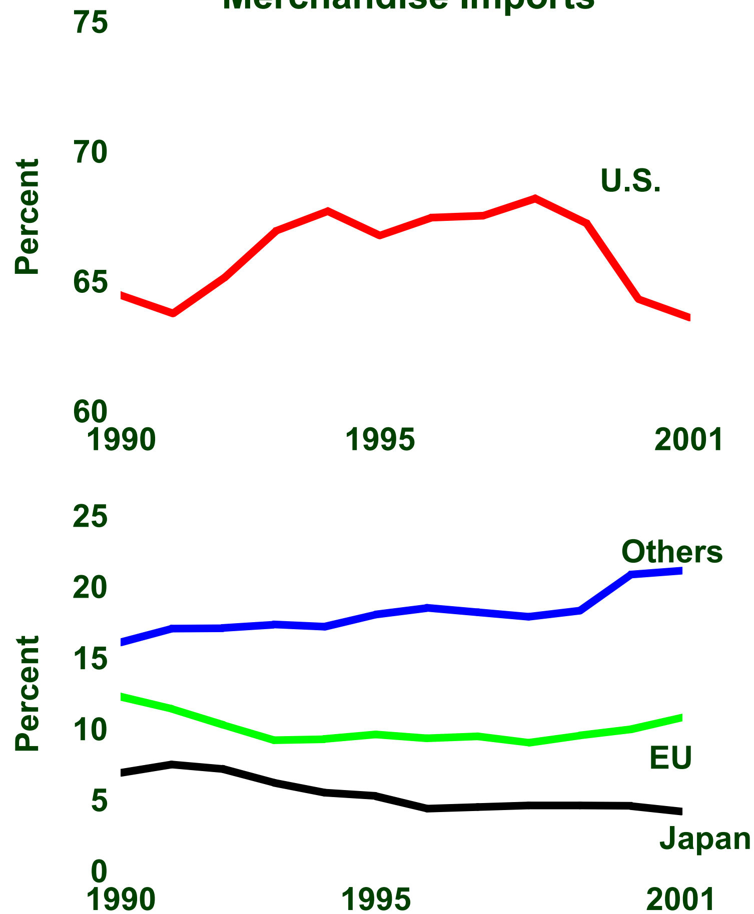
Source: Compilations based on U.S. ITC data

On the other hand, the U.S.'s share of our imports continued to decline in 2001

- Unlike exports, the U.S.'s share of Canada's total merchandise imports increased in the early 90s but remained relatively stable for much of the decade and has been dropping for the past three years.

- Imports from Mexico, China, India and other Asian economies, on the other hand, have increased steadily over the past twelve years.

Geographic Distribution of Canada's Merchandise Imports



Canada's Total Merchandise Imports, $ Billion

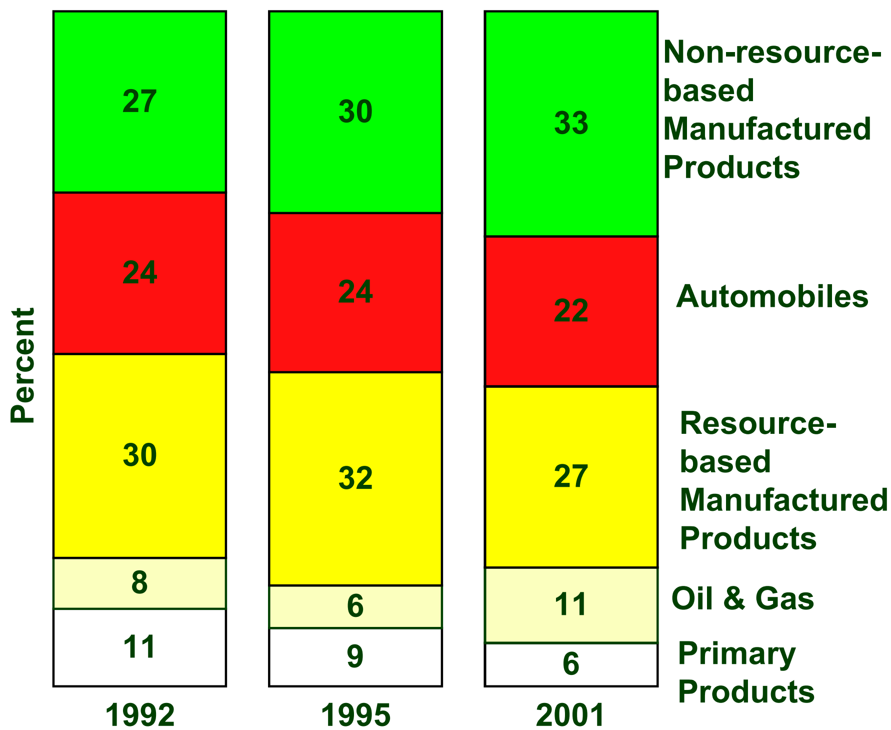
1990	1995	2001
136	226	343

Source: Compilations based on Statistics Canada data

Non-resource based manufactured exports have increased steadily...

- The share of Non-resource-based Manufacturing products has increased by six percentage points since 1992 and now stands at 33.0 percent of total merchandise exports.
  - This was led, in large part, by a boom in the exports of electrical and electronics products.
- The share of Automobiles declined slightly in 2001 as the U.S. economy began to show signs of weakness.
- The share of Oil & Gas in Canada's total exports shot up in 2000 and now stands at 11.0 percent, driven largely by a strengthening of oil and gas prices in that year.

Distribution of Canada's Merchandise Exports by Industry



Canada's Total Merchandise Exports, $ Billion

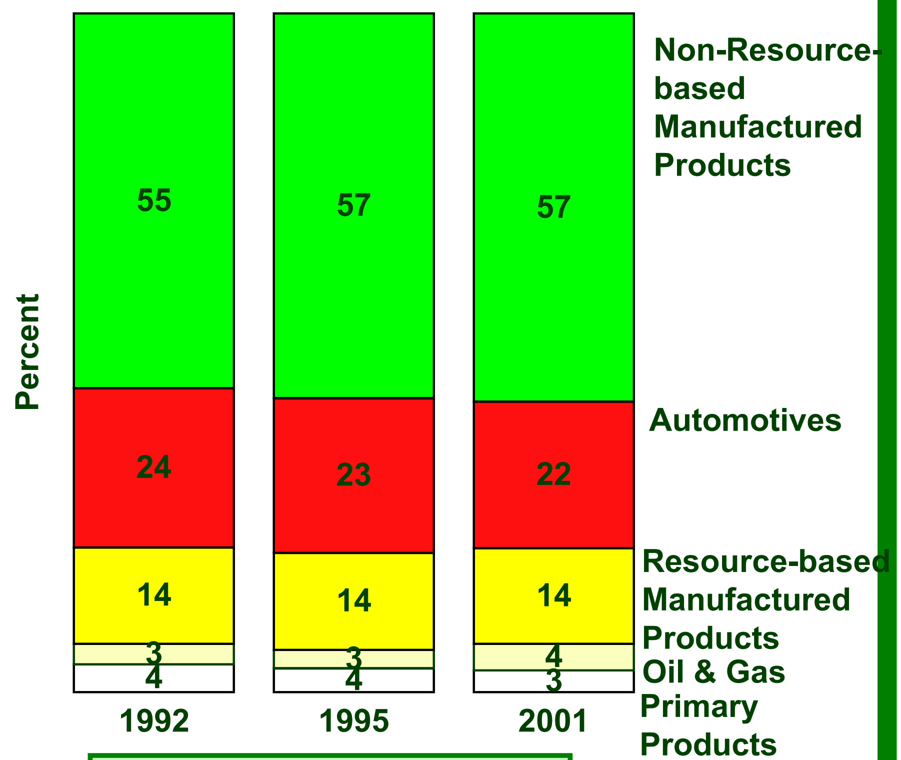
1992	1995	2001
155	249	374

Source: Compilations based on Statistics Canada data

...and account for most of our imports

- Unlike exports, there has not been a significant change in the broad composition of Canadian merchandise imports over the past decade.
- Non-Resource-Based manufactures account for the lion's share of Canada's merchandise imports at 57.0 percent in 2001 while automobiles account for another 22.0 percent.

Distribution of Canada's Merchandise Imports by Industry



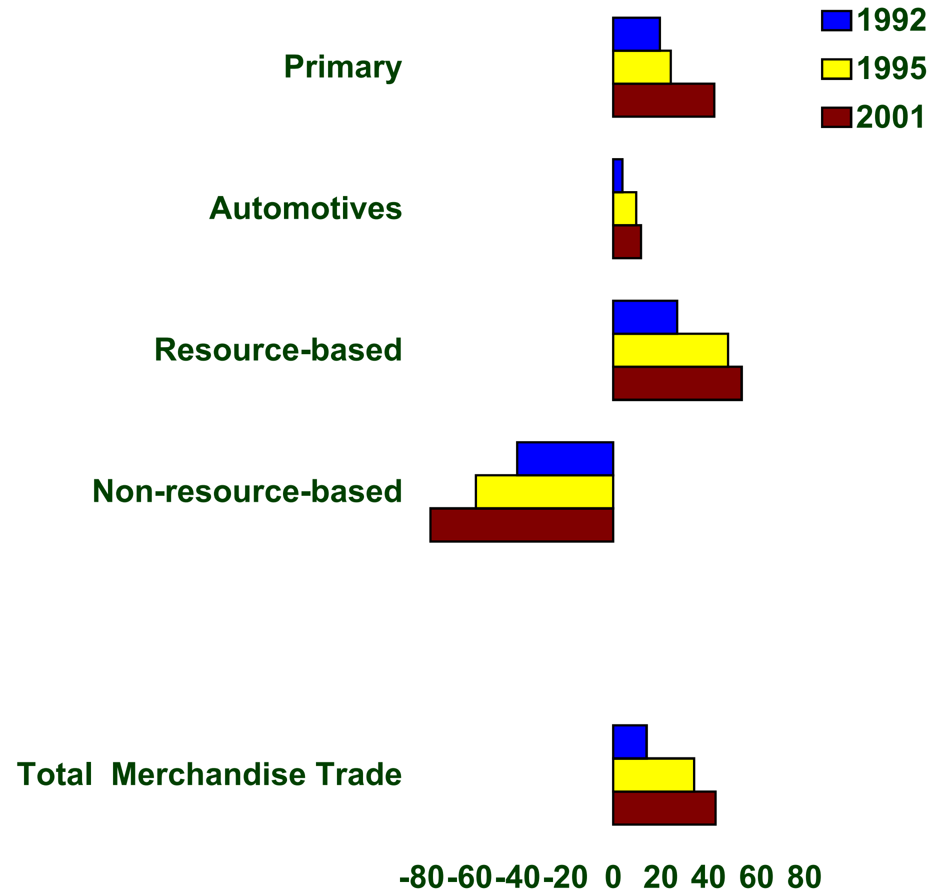
Canada's Total Merchandise Imports, $ Billion		
1992	1995	2001
141	216	332

Source: Compilations based on Statistics Canada data

Canada's competitive advantage in resources and resource-based products continues to deepen

- **Despite the growing importance of non-resources-based manufacturing in our exports, our trade deficit in that sector continues to grow.**
- **Resource-based manufacturers, Automotives, and Primary goods on the other hand, continue to register growing surpluses.**
- **The trends in trade balances may reflect the deepening of our comparative advantage position.**

Trade Balance by Industry ($ Billions)

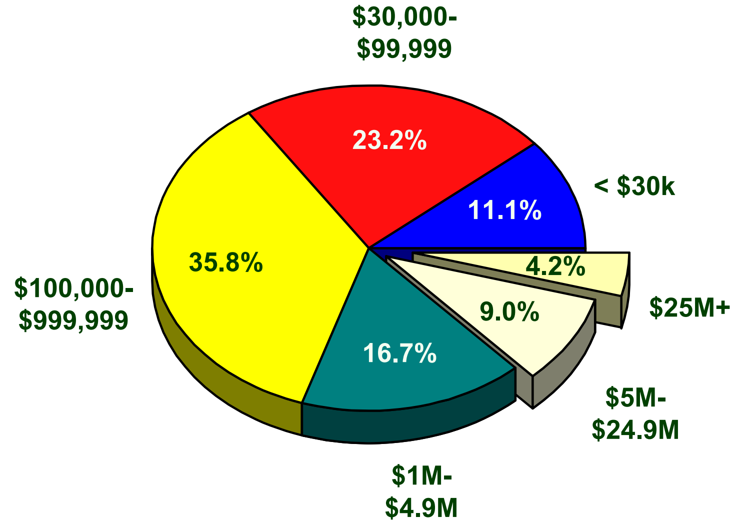


Source: Compilations based on Statistics Canada data

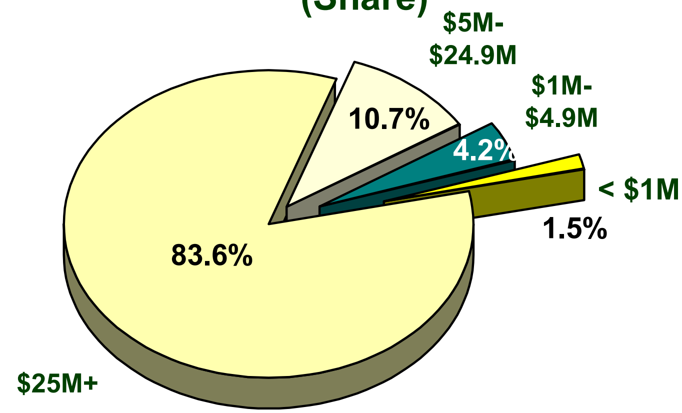
A few large exporters account for the majority of Canada's exports...

- Exporters that export more than $25 million annually account for only 4.2 percent of all exporters in Canada but for 83.6 percent of the value of exports.
  - In 2000, the 50 largest exporters accounted for nearly half (49.0 percent) of Canada's total merchandise exports, up from 46.0 percent in 1996.
- Exporters that export less than $1 million annually make up over 70.0 percent of the exporter population in Canada while accounting for only 1.5 percent of total exports.

Number of Exporters by Size of Exporter, 2000 (Share)



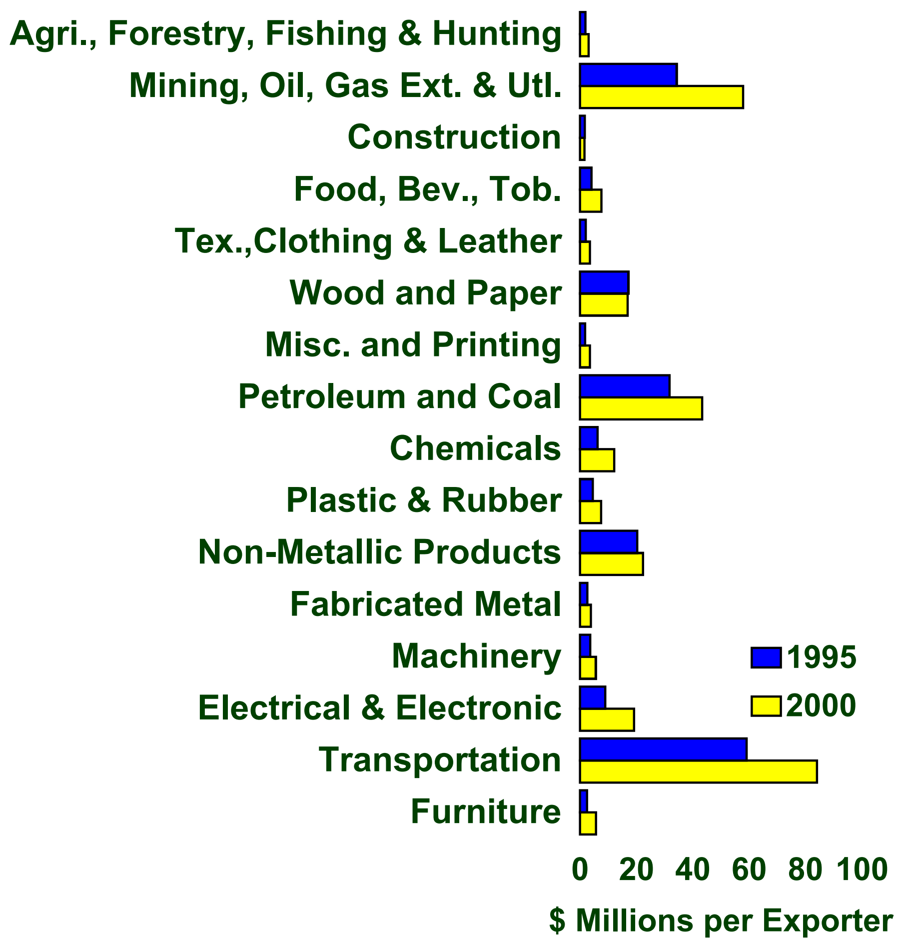
Value of Exports by Size of Exporter, 2000 (Share)



...and the average exporter size is increasing

- Between 1995 and 2000, in every industry, with the exception of Construction and Wood & Paper, the average exporter size in Canada increased.
- The Transportation industry has by far the largest average exports per exporter, a reflection of the dominance of the big auto manufacturers.
- Consolidation in recent years in Mining, Oil and Gas is reflected in a spike in the average size of exporters in that sector.
- Whereas a combination of consolidation and rapid growth has seen the average size of exporter in the Electrical and Electronic sector more than double.

Average Size of Exporters



Source: Compilations based on Statistics Canada data

Section C
Trade in Services

Highlights

- The share of services in Canada's total trade increased in 2001 after falling for most of the 1990s.
- The importance of commercial services trade increased, however, as did Canada's share of global commercial services trade.
- Research and Development (R&D) and royalty payments was among the fastest growing form of services trade.
- Canadian travel spending abroad dipped in 2001, a reflection of the slowing economy, weak dollar and possibly the terrorist attacks of September 11th.
- However, travel spending by foreigners in Canada continued to rise, resulting in a dramatic decrease in Canada's travel deficit.

The share of services in total trade picked up in 2001

- During the 1990-2001 period, services trade managed a solid average annual growth rate of 6.7 percent for exports and 3.2 percent for imports, but was simply outpaced by growth of merchandise trade.
- Consequently, the share of services in Canada's total trade fell steadily until 2000, but increased slightly in 2001.
- In 1990, services as a share of Canada's total imports stood at 19.0 percent but fell steadily throughout the 1990s to a low of 15.1 percent in 2000, and increased slightly to 15.6 percent in 2001.
- Services exports declined more moderately over the period, from 12.8 percent in 1990 to 11.8 percent in 2000 and also rebounded to 12.0 percent in 2001.
- The trade deficit in services fell from a peak of $13.6 billion in 1993 to $7 billion in 2001.

Share of Services in Total Trade

Exports & Imports in Services, $ Billion

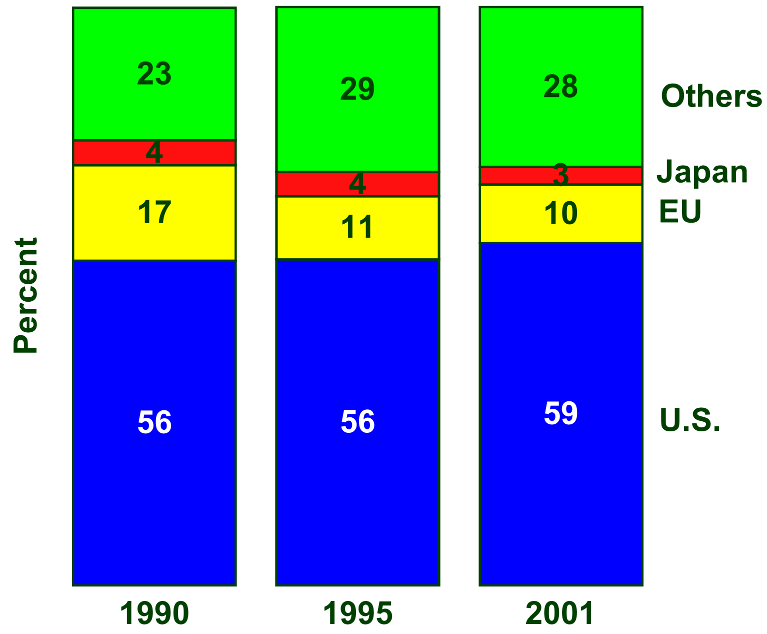
	1990	1995	2001
Exports	28	39	57
Imports	46	49	65

Source: Compilations based on Statistics Canada data

The U.S. continues to be the dominant destination for Canadian service exports...

- **As with merchandise trade, the U.S. is the dominant destination for Canada's services exports.**
  - **The U.S. accounts for nearly 60.0 percent of Canada's services exports, far lower than the U.S.'s share of our merchandise trade, but the importance of that market increased by three percentage points between 1995 and 2001.**
- **The share of Canadian services exports bound for the EU declined over the decade, from 17.0 percent in 1990 to 10.0 percent in 2001.**
- **The majority of this went to "Other" destinations, mostly in the Caribbean (where Canada has considerable financial investments) as well as South America and Asia.**

Geographical Distribution of Canada's Services Exports

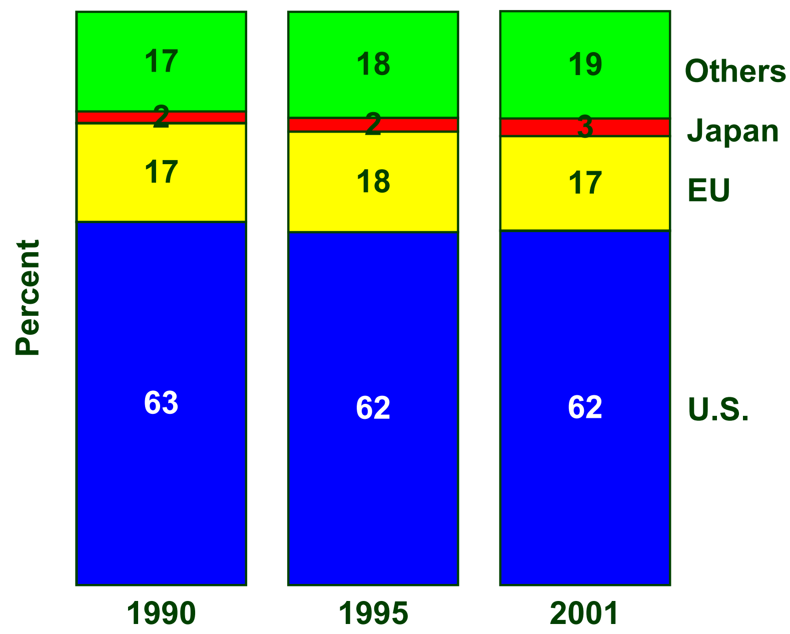


Source: Compilations based on Statistics Canada data

...as well as imports

- There has been little change in the geographic distribution of Canada's services imports over the 1990s.
- The U.S. accounts for a somewhat larger share of Canada's services imports than it does of exports at 62.0 percent.
- We have a large services trade deficit with the U.S. and EU due largely to commercial services; With the rest of the world we have a surplus.

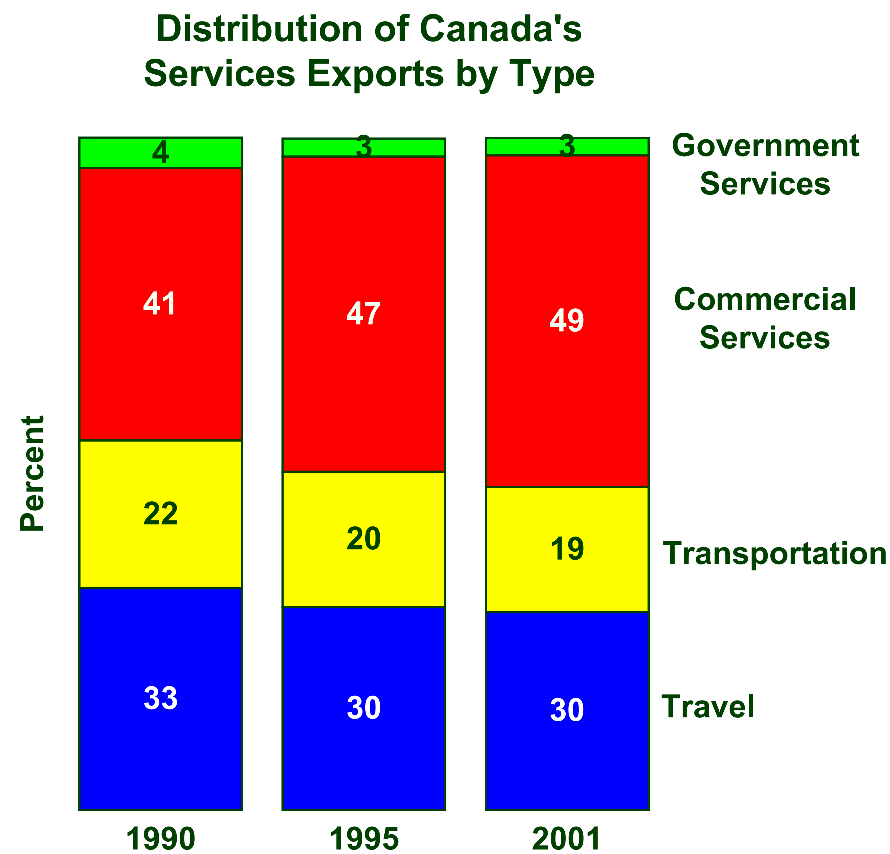
Geographical Distribution of Canada's Services Imports



Source: Compilations based on Statistics Canada data

Commercial services are the largest and fastest growing category of services exports...

- Between 1990 and 2001, the share of Commercial Services in total services exports increased by eight percentage points, reaching 49.0 percent in 2001.
- The importance of all other service categories declined over this period.



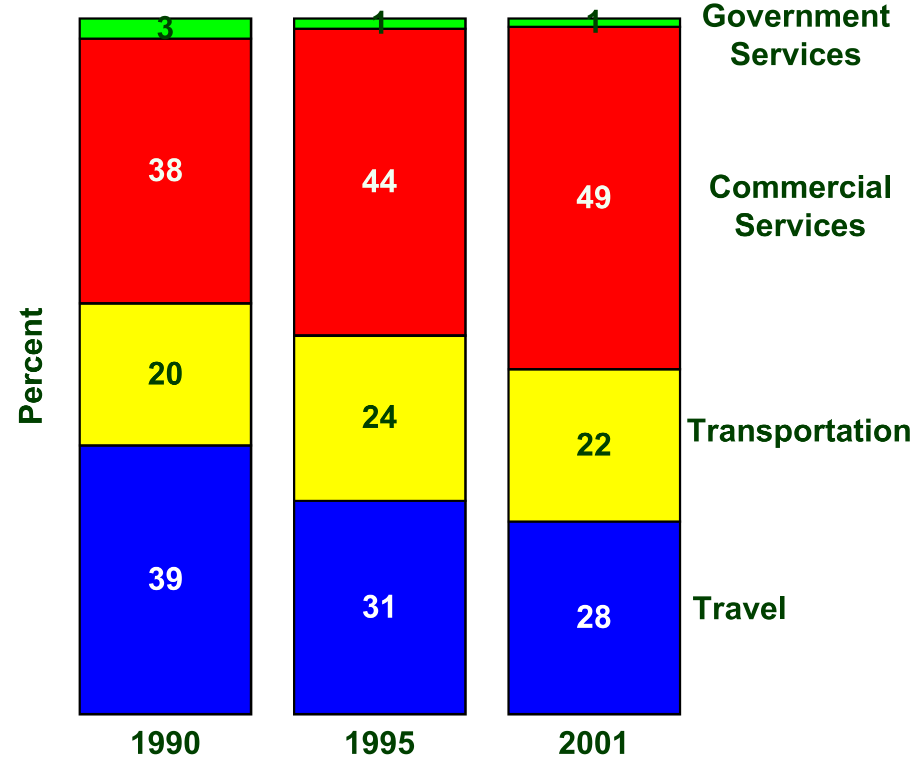
Canada's Total Services Exports $ Billion		
1990	1995	2001
22	36	57

Source: Compilations based on Statistics Canada data

...as well as imports

- The importance of Commercial Services imports also rose in the last decade, from 38.0 percent in 1990 to 49.0 percent in 2001.
- The increased share of Commercial Services imports came mostly at the expense of Travel Services, who's share fell from 39.0 percent in 1990 to 28.0 percent in 2001.

Distribution of Canada's Services Imports by Type



Canada's Total Services Imports $ Billion

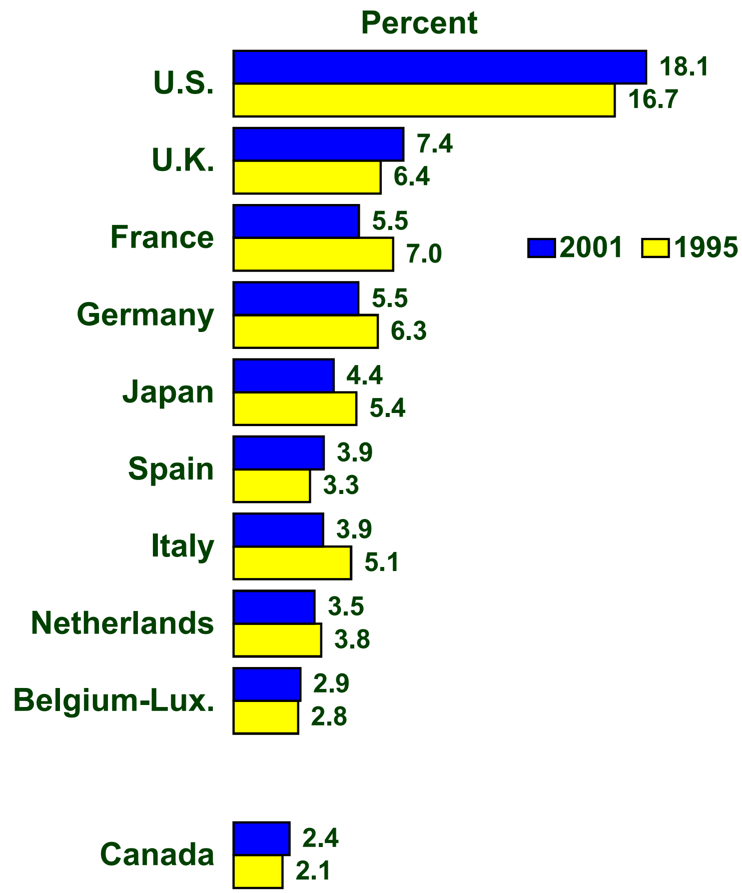
1990	1995	2001
33	46	65

Source: Compilations based on Statistics Canada data

Canada's share of World commercial services exports increased...

- The U.S. is by far the largest exporter of Commercial Services, and its share is increasing. In 2001, it accounted for over 18.0 percent of world exports of commercial services.
- Canada is a relatively small exporter of Commercial Services, ranking 12th in 2001, well below its 7th position in merchandise exports.
  - However, Canada's share of Commercial Services exports increased from 2.1 percent in 1995 to 2.4 percent in 2001.

Leading Exporters, Share in World Trade in Commercial Services

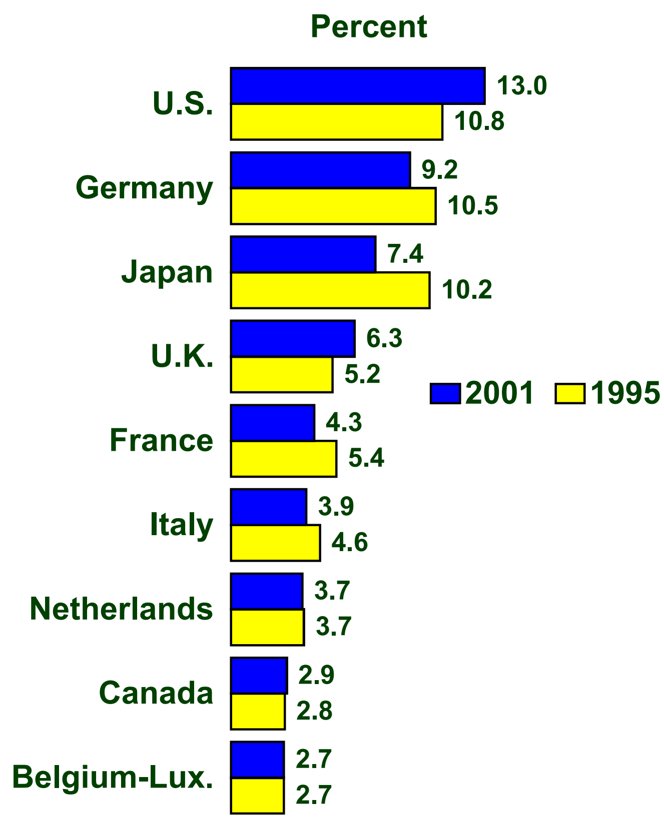


Source: World Trade Organization

...as did its share of global commercial services imports

- In 2001, Canada ranked the 8th largest importer of Commercial Services in the world - representing 2.9 percent of the world's total Commercial Services imports.
- The U.S. share of global commercial services imports is considerably smaller than its share of global commercial services exports. As a result, the U.S. has a large surplus in services trade, contrary to its huge deficit in merchandise trade.

Leading Importers in World Trade in Commercial Services

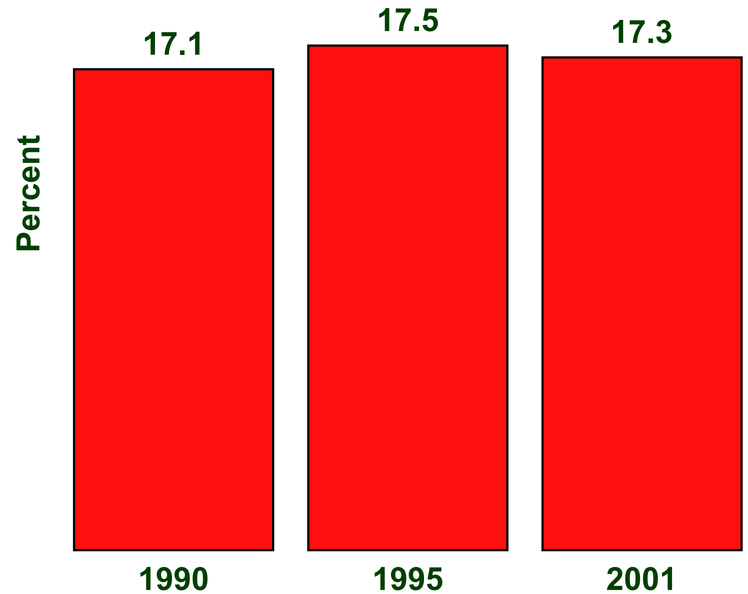


Source: World Trade Organization

Commercial services share of total world trade declined slightly in the second half of the 1990's

- **The share of commercial services trade in total world trade declined slightly from 17.5 percent in 1995 to 17.3 percent in 2001.**

World Services Trade* as a Share of Total World Trade

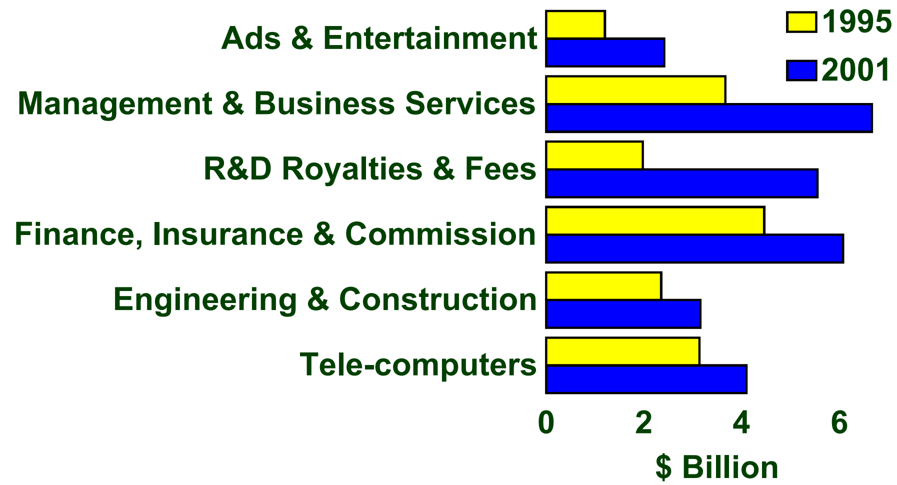


* Commercial services only
Source: Compilations based on data from the WTO.

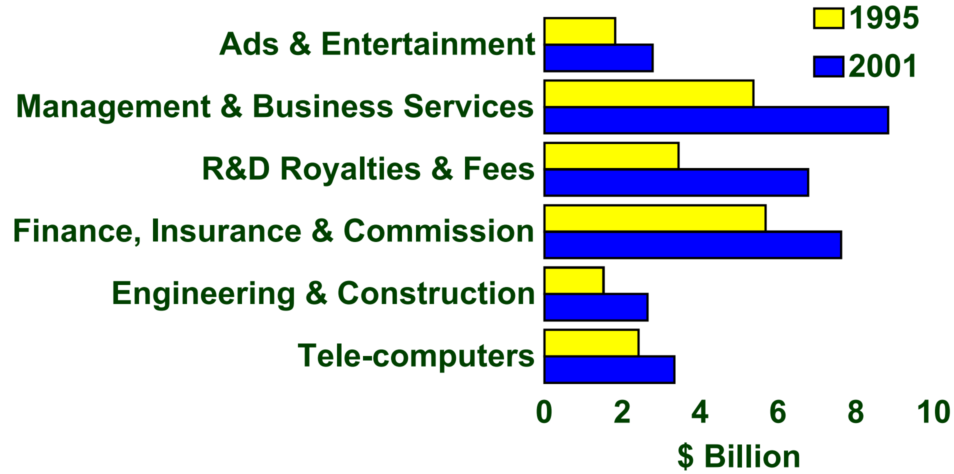
Canada's fastest growing commercial services trade is in R&D Royalties & Fees...

- **R&D Royalties & Fees is the fastest growing category of Commercial Services receipts and payments.**
  - **Rapid growth in foreign direct investment flows is likely an important driver of this type of "trade".**
- **Financial Services and Management and Business Services accounted for the largest share of Canada's Commercial Services exports in 2001 at 46.0 percent.**

Commercial Services Receipts (Exports)



Commercial Services Payments (Imports)

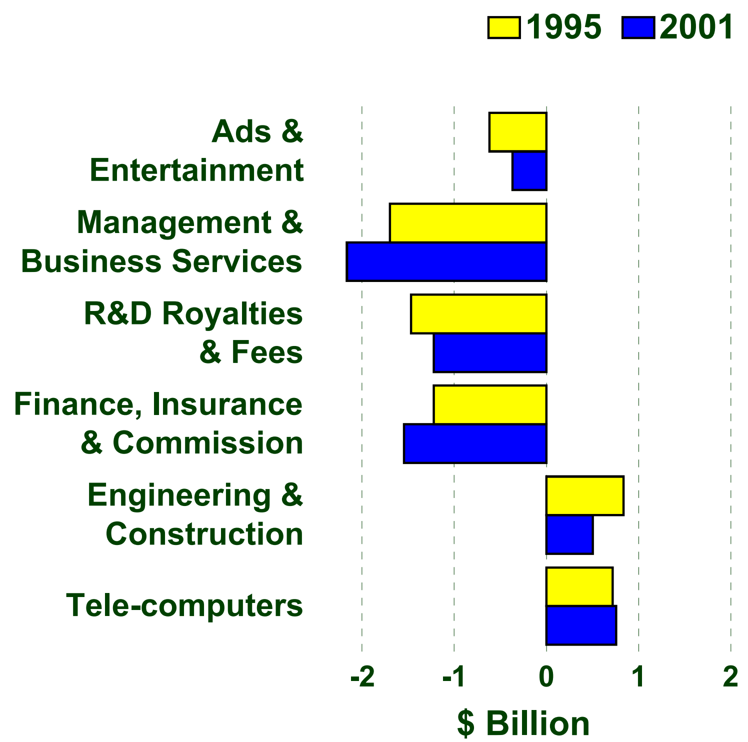


Source: Compilations based on Statistics Canada data

...while our largest deficit is in Management & Business Services

- Canada runs a deficit in four of six commercial services industries.
- The structure of balances in Canada's commercial services trade remained relatively stable in the second half of the 1990s.
- These balances suggest that we have a comparative advantage in engineering, construction and tele-computers.
  - On the other hand, we have a comparative disadvantage in management and business services, R&D royalties and fees and finance, insurance & commissions.

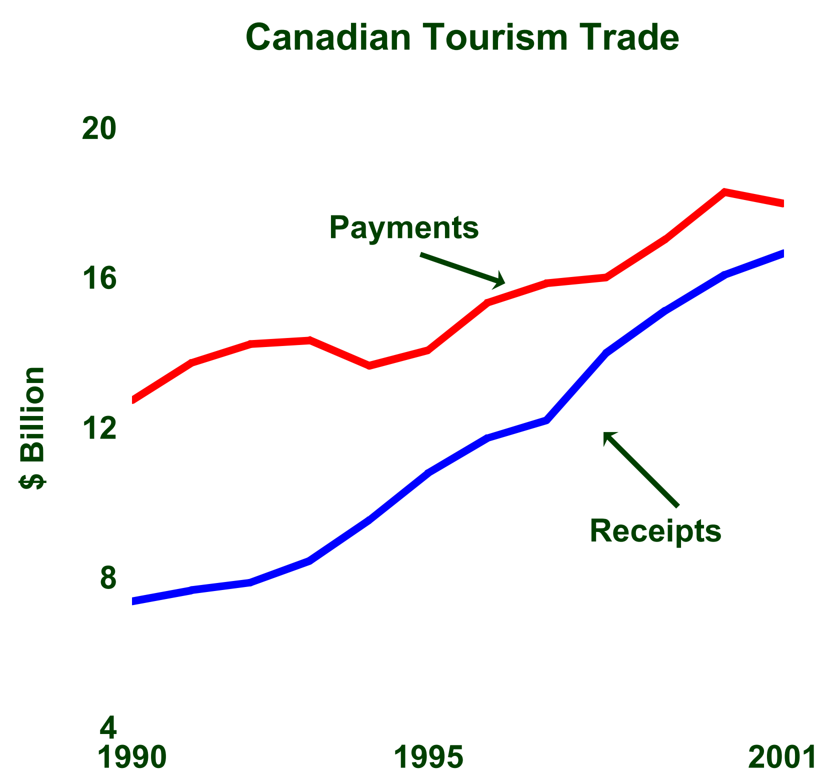
Commercial Services Trade Balance



Source: Compilations based on Statistics Canada data

Canada's travel deficit continued to narrow in 2001

- Canada's travel deficit declined from a peak of $6.4 billion in 1992 to $1.3 billion in 2001.
- Travel spending by Canadians abroad grew at an average annual rate of 3.2 percent over the 1990s, but was significantly outpaced by the 7.7 percent average annual increase in travel spending by foreigners in Canada.
    - The strong economic growth in the U.S. and the weak dollar likely contributed to increased spending by foreigners. The weak Canadian dollar was mainly responsible for the slower growth in Canadians travel abroad.
- There was a sharp decline in travel spending abroad in 2001, especially to the U.S., which may be due to concerns over international travel after Sept 11th. However, travel receipts continued to grow over this period.

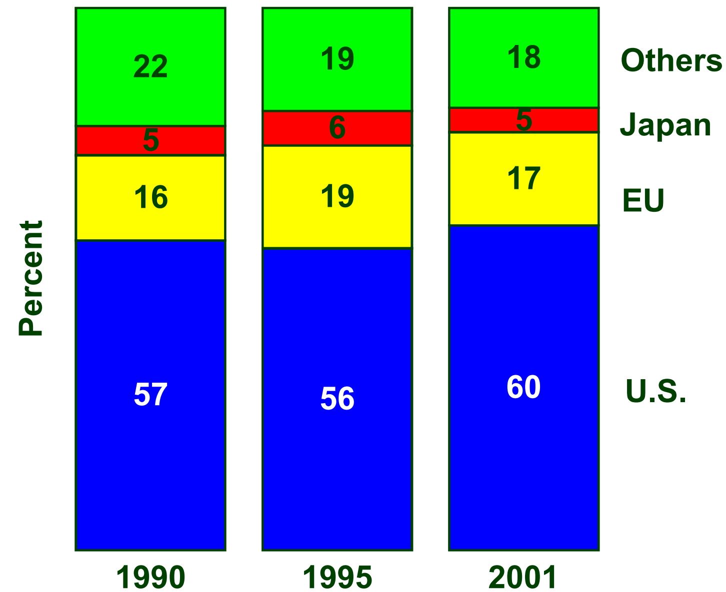


Source: Compilations based on Statistics Canada data

U.S. travel spending in Canada has increased significantly...

- Since 1995 U.S.'s share of travel spending in Canada increased by four percentage points, primarily at the expense of the EU and Japan. This could reflect stronger economic growth in the U.S., and the depreciation of our currency vis-à-vis the American dollar.
- It is interesting to note that the share of U.S. in travel spending in Canada actually declined slightly between 2000 and 2001.

Geographical Distribution of Foreign Spending on Travel in Canada



Canada's Total Travel Receipts
$ Billion

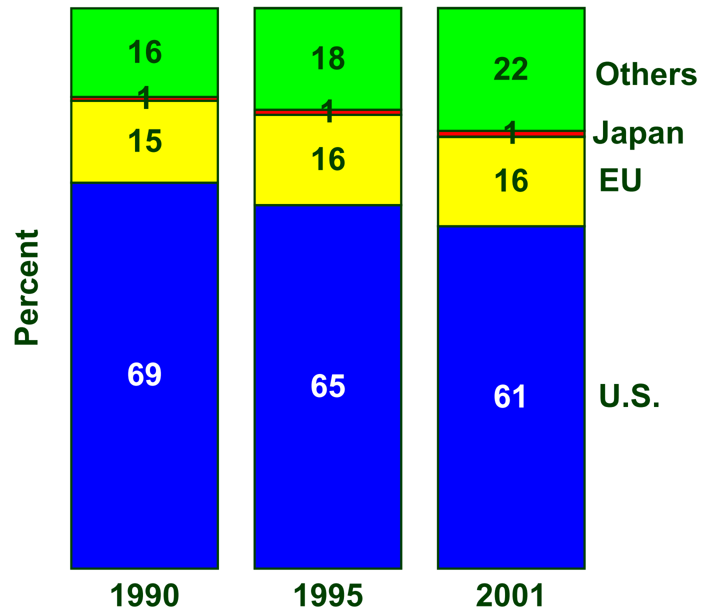
1990	1995	2001
7.4	10.8	16.7

Source: Compilations based on Statistics Canada data

...while the U.S. accounted for less Canadian travel dollars

- Although 61.0 percent of Canadian tourism dollars were spent in the U.S. in 2001, this is down from 69.0 percent in 1990, likely due to the appreciation of the U.S. dollar over this period.

Geographical Distribution of Canada's Travel Spending Abroad



Canada's Total Travel Payments
$ Billion

1990	1995	2001
12.8	14.0	18.0

Source: Compilations based on Statistics Canada data

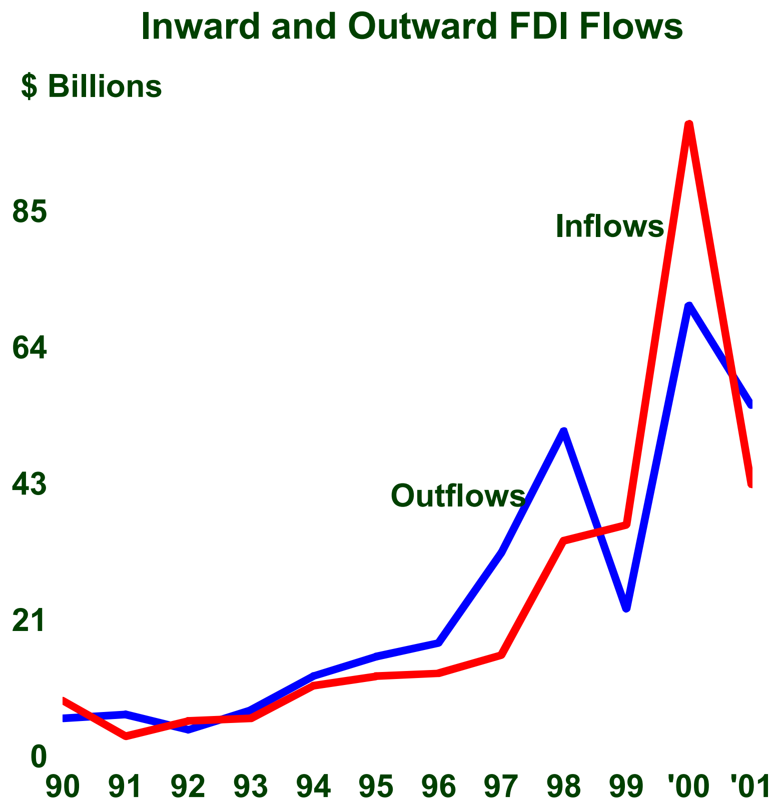
Section D
Foreign Direct Investment

Highlights

- Canada's inward and outward FDI flows plummeted in 2001 driven mainly by a decline in M&A activity.
- Canadian outward FDI flows have once again surpassed inward FDI flows contributing to the record gap in Canada's international investment position in 2001.
- There has been a resurgence in inward investment in Canada's resource sector, while outward investments continue to be directed toward the Finance & Insurance sectors.
- Foreign controlled firms make an important contribution to manufacturing output and R&D in Canada.

Canada's FDI flows plummeted in 2001...

- Canada's outflows of direct investment fell significantly to $54.9 billion in 2001, from $70.5 billion a year earlier.
- However, inflows to Canada fell by even more — $56.4 billion, reaching $42.5 billion in 2001.
  - FDI outflows once again surpassed inflows in 2001— a change from the past 2 years.

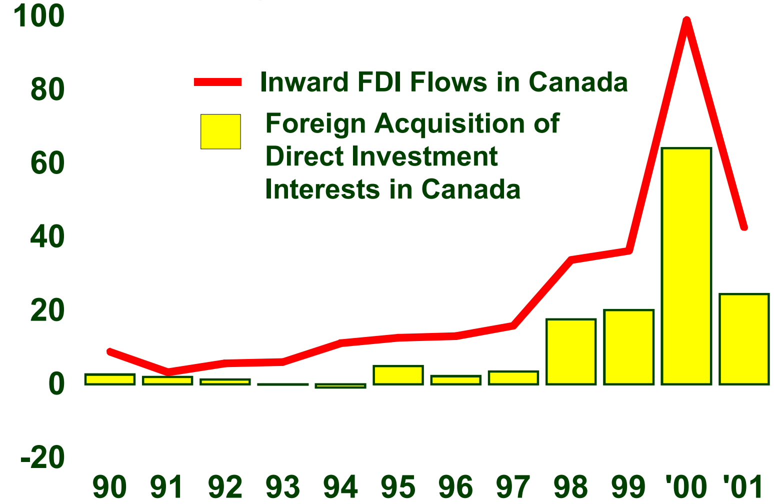


Source: Industry Canada compilations based on Statistics Canada data

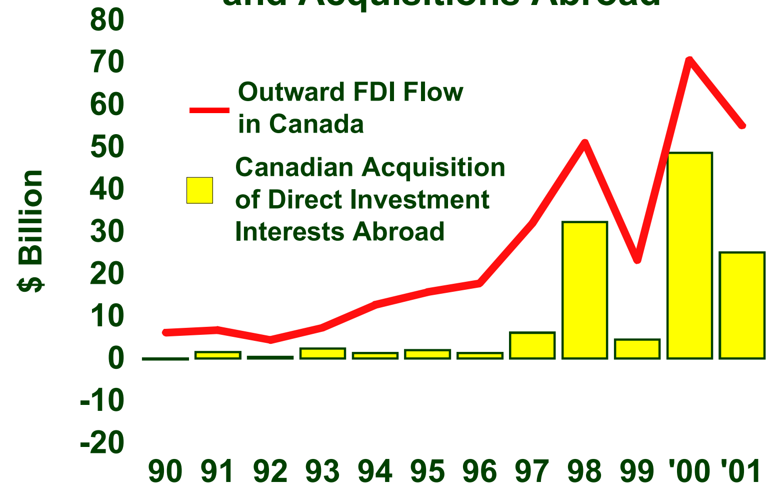
...largely a result of a decline in cross-border Mergers and Acquisitions (M&As)

- **A dramatic decline in M&As (particularly foreign M&As in Canada) was chiefly responsible for the decline in FDI flows into Canada in 2001.**
  - **70.0 percent of the decline in FDI inflows can be attributed directly to reduced M&A activity.**
- **M&A activity was even more important for FDI outflows, accounting for all of the decline.**

Inward FDI Flows and Foreign Acquisitions in Canada



Canada's Outward FDI* Flows and Acquisitions Abroad

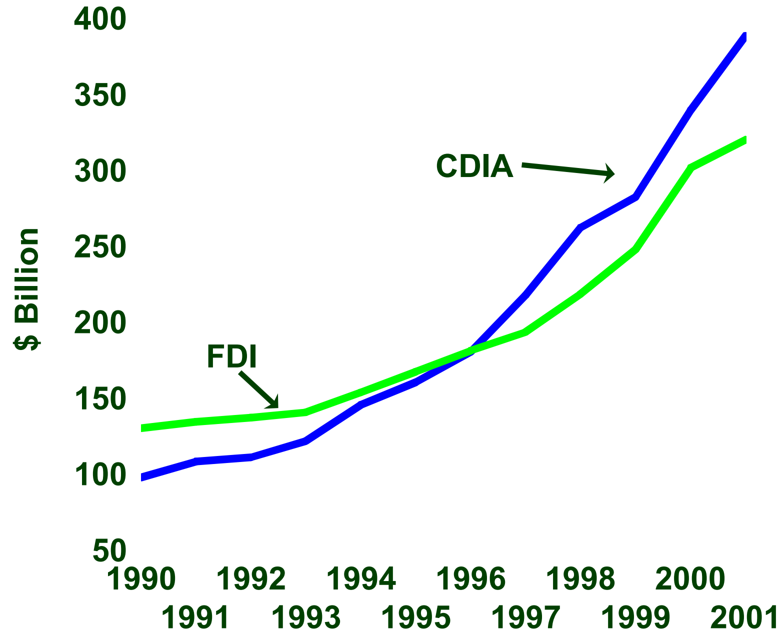


Source: Compilations based on Statistics Canada data

The gap between stocks of Canadian outward and inward FDI widened

- **The dramatic fall in FDI inflows in 2001, resulted in a significant widening of the gap between Canada's inward and outward FDI stocks.**
  - **The stock of Canadian outward FDI reached $389.4 billion in 2001, exceeding the stock of inward FDI by a record $68.5 billion.**

Canada's CDIA and FDI Stock



Foreign Direct Investment Stock
$ Billion

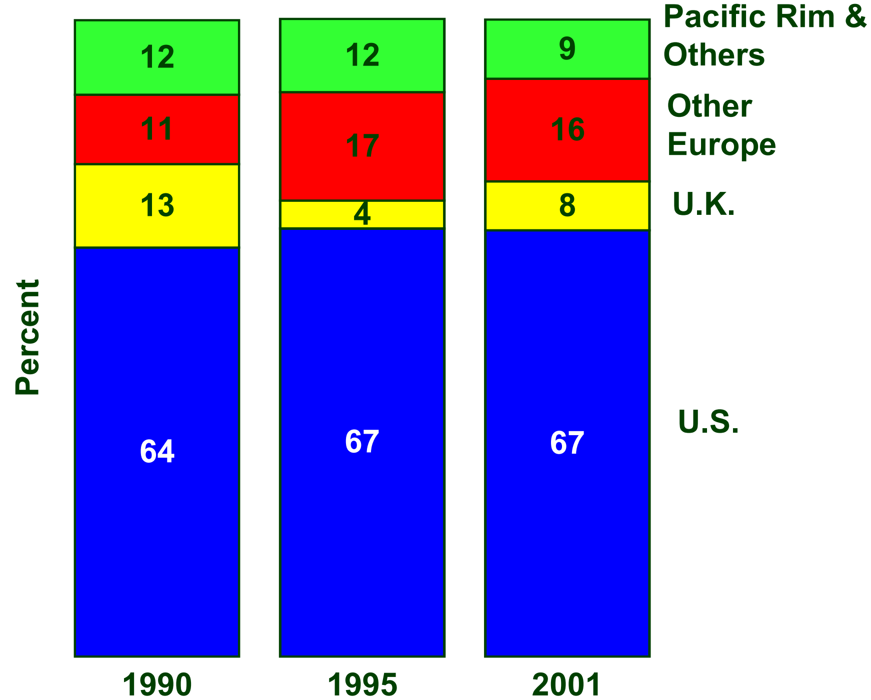
	1990	1995	2001
CDIA	98	161	389
FDI	130	168	320

Source: Compilations based on Statistics Canada data

The importance of the U.S. to Canada's inward FDI rebounded somewhat in 2001...

- **Europe's (UK + Other Europe) share of FDI stock in Canada fell to 23.8 percent in 2001, down from 27.4 percent in 2000 and back to a level similar to that in 1990.**
  - **However, there has been a fall in the importance of the U.K. and rise in that continental Europe.**
  - **This is largely the result of a small number of large M&As (Seagrams, Newbridge, etc).**
  - **The U.K.'s share of Canada's inward FDI stock has since rebounded — doubling since 1995 to reach 8.0 percent in 2001.**
- **The share of the U.S. has rebounded somewhat in 2001, compared to 2000.**

Geographic Distribution of the Inward FDI Stock in Canada

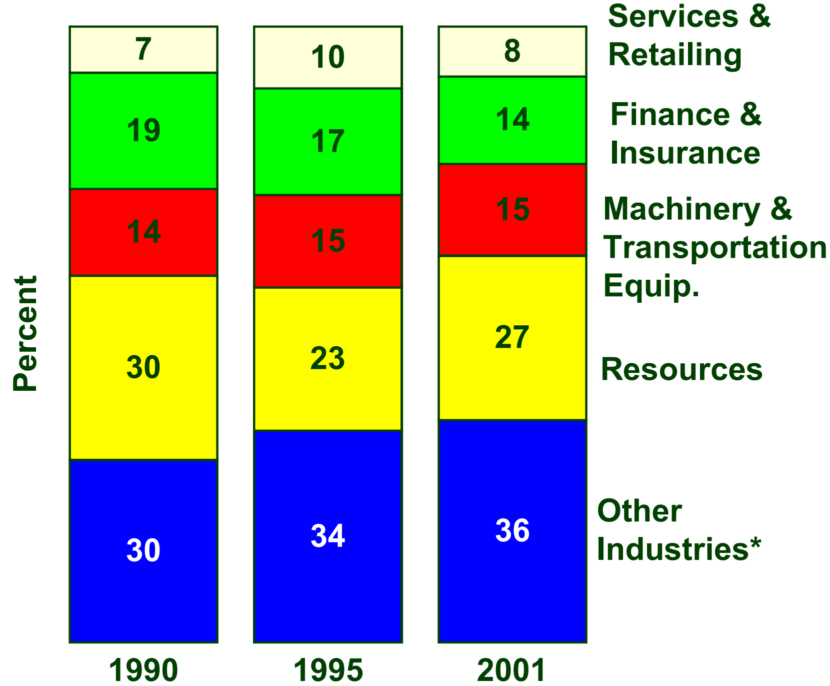


Source: Compilations based on Statistics Canada data

...while the importance of resources has increased

- The growing share of "Other Industries" in inward FDI has been a consistent trend in the 1990s and has carried over into 2001, albeit at a slower pace.
    - "Other Industries" includes many "new economy" industries such as electronics, communications and chemicals.
- There has been a resurgence of FDI into Canada's resource sector in recent years, likely spurred by higher energy prices. We saw many M&As in Canada's oil patch and a consolidation in many other resource industries, such as other resource industries like mining.

Industry Distribution of Inward FDI Stock



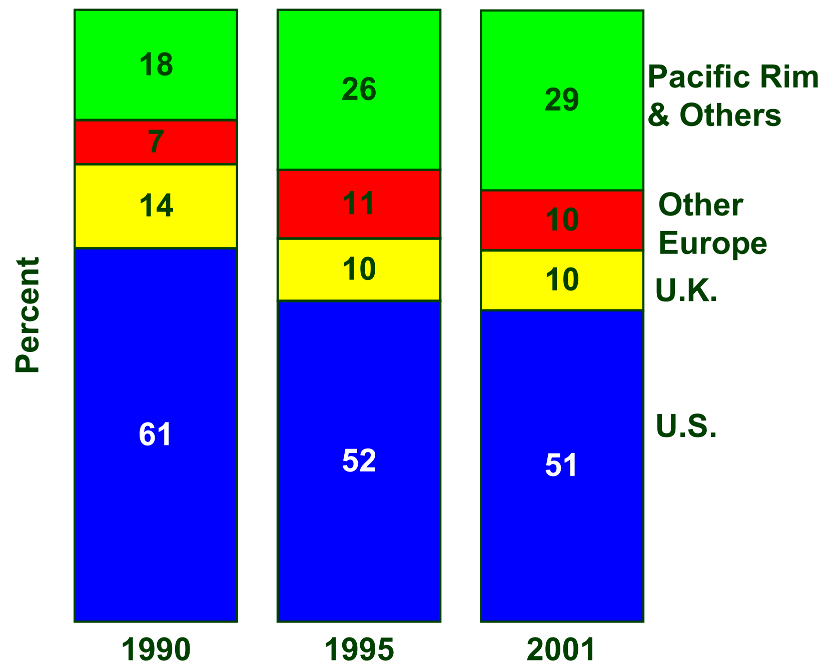
* Includes Food, beverages and tobacco, Chemicals, chemical products and textiles, Electrical and electronic products, Construction and related activities, and Communications

Source: Compilations based on Statistics Canada data

Canada's outward FDI stock continues to move into developing countries...

- The share of Pacific Rim and Other countries in Canada's FDI abroad has increased from 18.0 percent in 1990 to 29.0 percent in 2001.
  - Most of the investment went to three small Caribbean countries; Bermuda, Barbados and Bahamas.
  - There has also been a dramatic rise in Canadian investment in Mexico, albeit from a small base.
- The U.S. is still the dominant destination for Canadian investment abroad, but its importance has dwindled steadily in the last decade — the U.S. accounts for just over half of Canadian FDI abroad.

Geographic Distribution of Canada's Outward FDI Stock*



CDIA Stock
$ Billion

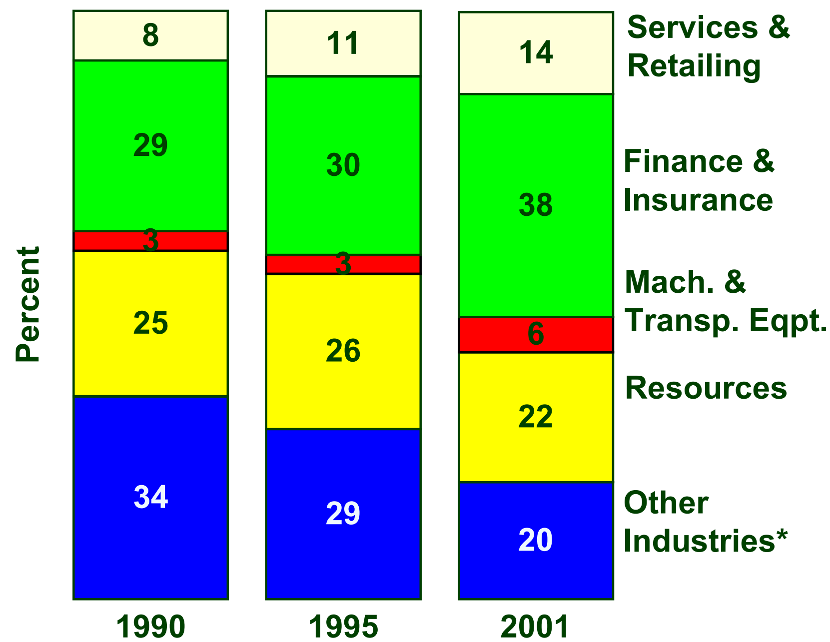
1990	1995	2001
98	161	389

Source: Compilations based on Statistics Canada data

...and is increasingly in finance and insurance

- The share of Finance & Insurance in Canada's total outward FDI stock continued to increase in 2001. Between 2000 and 2001 it jumped five percentage points to 38.0 percent.
- The share of "Other Industries" fell considerably between 2000 and 2001, likely a result of revaluations following the bust of the high-tech bubble, but continues a declining trend.
  - It is important to note, however, that Canadian outward investment in high-tech industries has increased considerably over the 1990s, just at a slower pace than other outward investment.

Industry Distribution of CDIA Stock



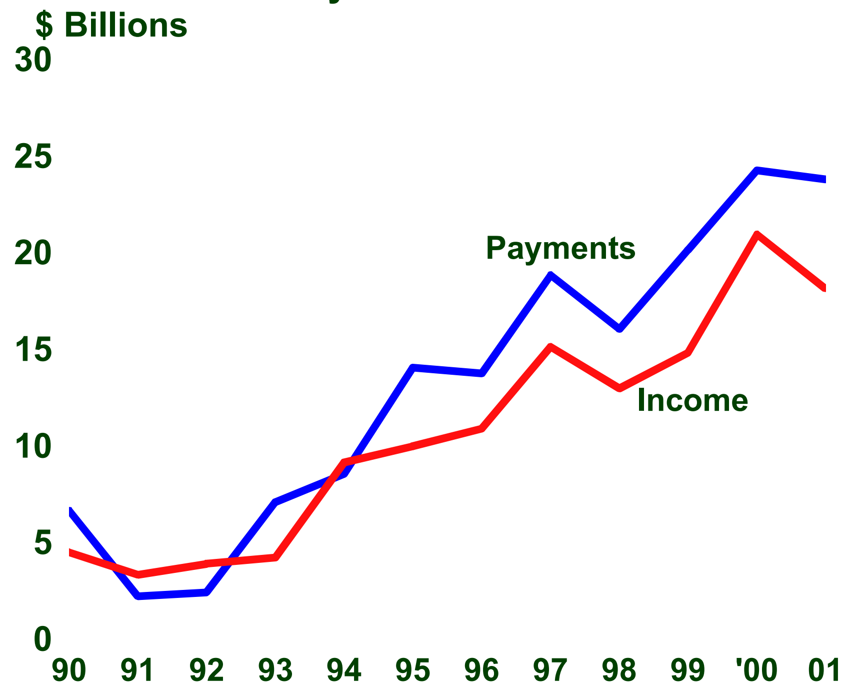
* Includes Food, Beverages and Tobacco, Chemicals, Chemical Products and Textiles, Electrical and Electronic Products, Construction and related activities, and Communications.

Source: Compilations based on Statistics Canada data

The gap between income payments to foreigners and income generated by foreign investments abroad grew in 2001

- With the exception of a brief period in the early 1990s, Canada has paid out more than it received in income based on foreign direct investments.
- In the 1990s and into 2000, the ratio of receipts to payments had declined somewhat. However, in 2001 the gap once again widened reaching $5.6 billion.
  - But, as Canadian direct investments abroad continue to exceed direct investments in Canada, this gap is likely to close in the future.
  - It is interesting to note that the gross return (ratio of income to investment stock) to foreign investments in Canada continues to exceed Canadian investments abroad.
  - This may reflect a higher risk in investing in Canada or some other friction such as a home bias.

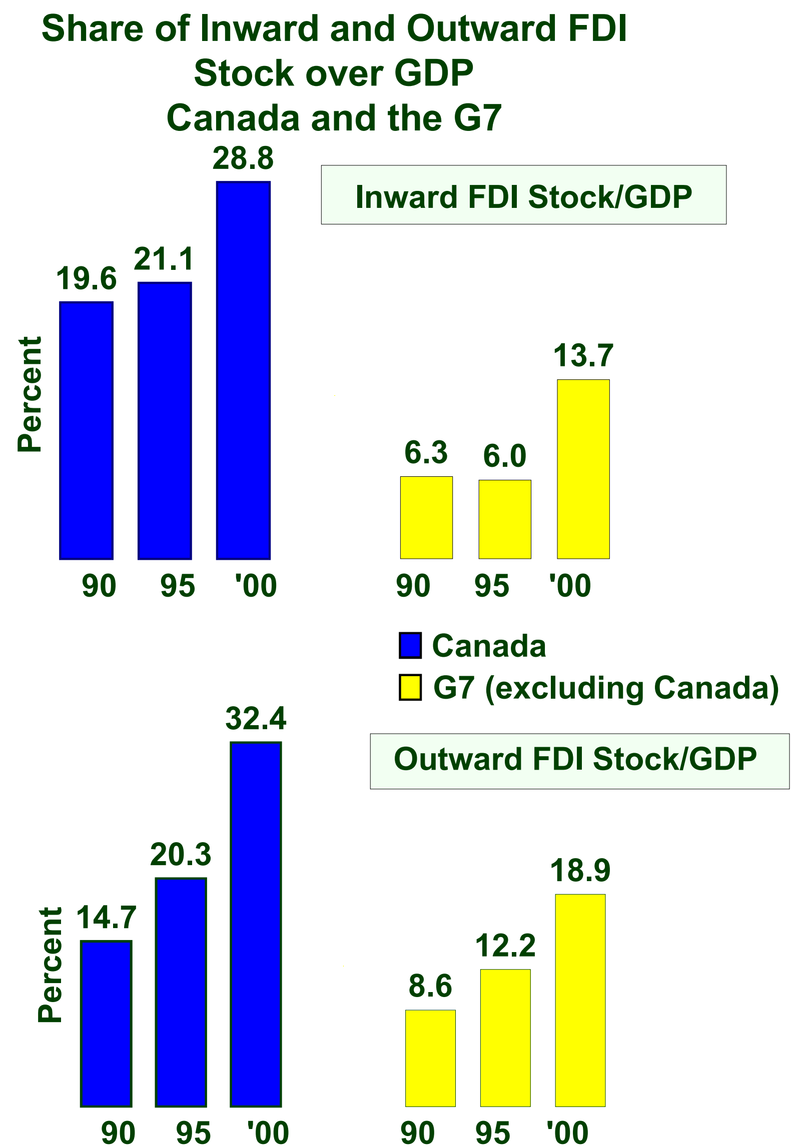
Income from Canada's Outward FDI and Payments on Inward FDI



Source: Compilations based on Statistics Canada data.

Canada's foreign investment orientation far outstrips the G7 average

- In 2000, the ratio of inward FDI stock to GDP in Canada reached almost 29.0 percent, compared to about 20.0 percent in 1990.
  - This is more than double the average for other G7 countries at 13.7 percent in 2000.
- Similarly, for outward FDI stock, Canada's openness far outstrips the G7 average and more than doubled since 1990.
  - While Canada's inward foreign investment orientation is the highest among individual G7 countries for inward FDI, the U.K. has the highest share of outward FDI to GDP ratio among the G7.

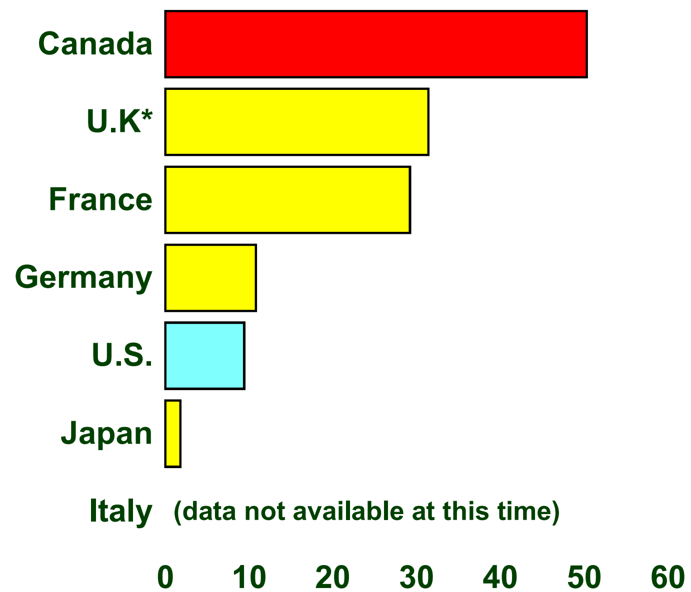


Source: Compilations based on data from Statistics Canada and OECD

Foreign controlled firms make an important contribution to manufacturing output...

- Foreign controlled firms account for a larger share of manufacturing output in Canada than any other G7 country.

Share of Foreign Affiliates in Manufacturing Output, 1998

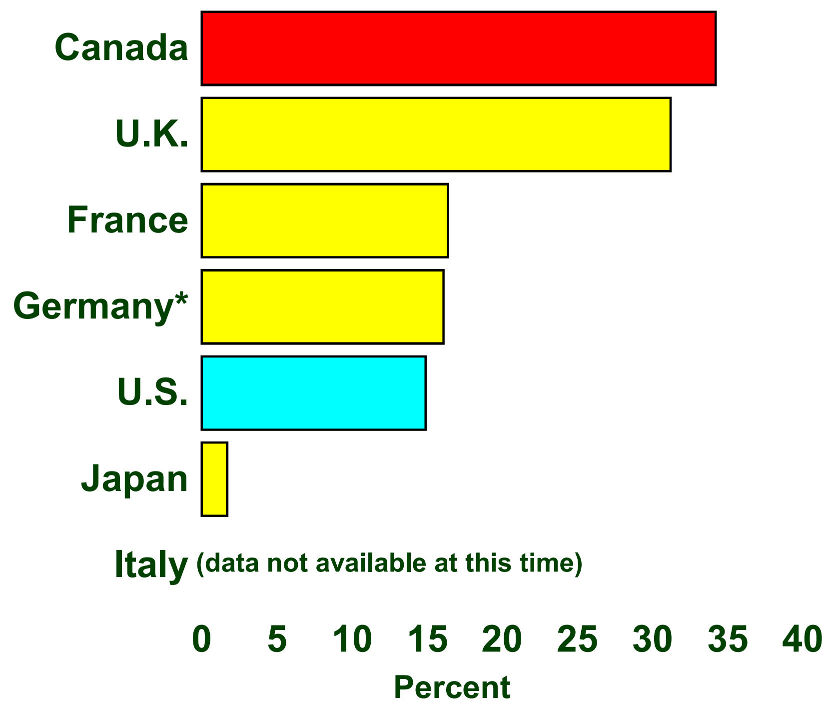


* 1997
Source: OECD, measuring globalization, 2001.

...and R&D

- Foreign controlled firms account for a higher share of R&D output in Canada than any other G7 country.

Foreign-Controlled Share of R&D Expenditures, 1998



* 1995
Source OECD, Measuring Globalization, 2001.

Part II
Canada's Trade Relations with Asia

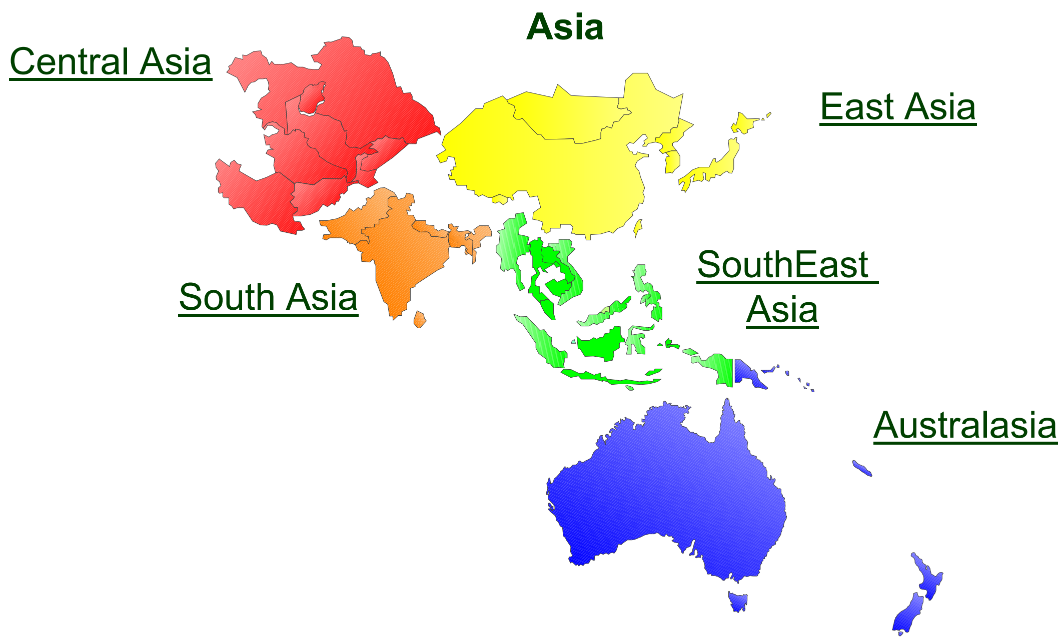
Part 2
Canada's Trade and Investment Relations with Asia

Highlights

- **Canada's exports to Asia have declined steadily for many years. While there is some variation by country/region, such as rapid declines witnessed in newly industrialized countries (NICs) and reasonably strong growth in India, overall, Canada's export performance in the region has been poor.**
- **As with exports, import growth varies greatly by country/region with China and India posting significant rates of growth. However, import growth was consistently stronger than for exports with imports outpacing exports in every country/region.**
- **Overall, exports tend to be dominated by resource and resource-based industries while imports depend greatly on the exporting country/region; cars from Japan, cloths from India, electronics from Japan, China and the NICs.**

Asia is a large, populous and diverse market

- For our purposes, Asia encompasses all of the countries East of Afghanistan to Japan and New Zealand.
- Not only is Asia the largest landmass in the world, but it also holds nearly two-thirds of the world's population.
- The economies of Asia are extremely diverse, ranging from the second largest economy in the world, Japan, and a small number of other advanced countries such as Australia and New Zealand, but also New Industrialized Economies (NICs), the fast growing Association for South East-Asian Nations (ASEAN) economies, two of the most populous countries and some of the poorest. A more detailed breakdown of the groupings used is provided in the appendix.

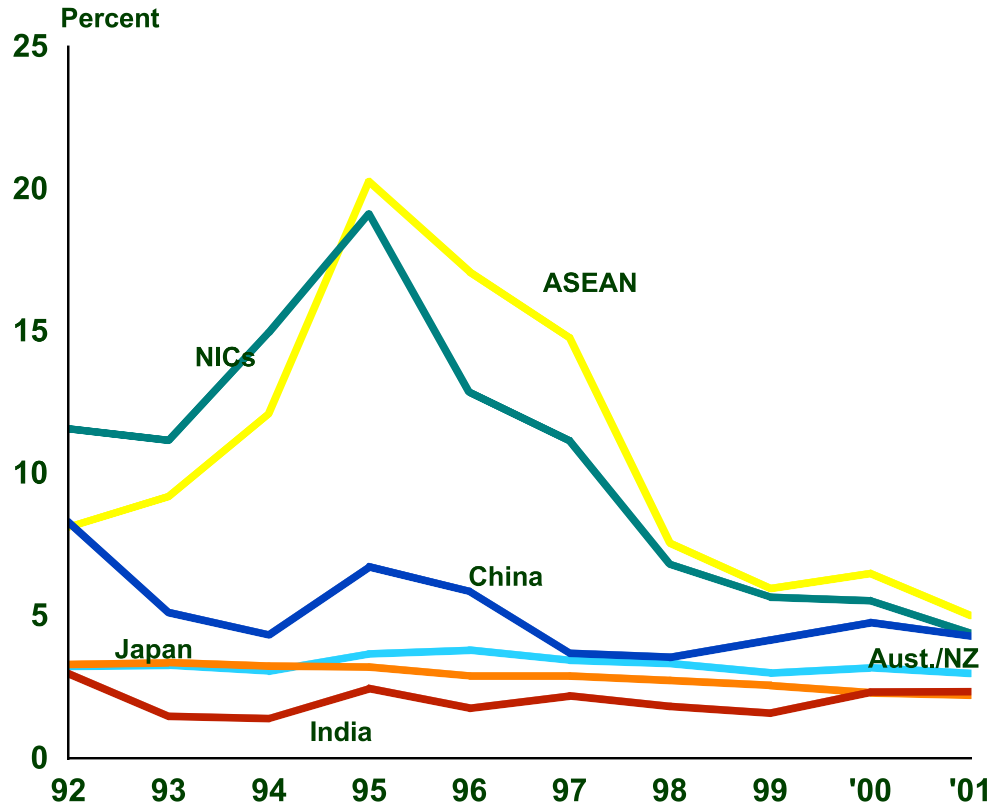


Countries	GDP 2001 US$Billion	GDP Growth 95-01, %	Population 2001 Millions	Exports 2001 US$Billion	Imports 2001 US$Billion
Japan	4,373.1	-3.1	127.3	432.5	406.4
China*	1,050.5	8.4	1,275.1	279.6	250.7
India*	349.3	-0.9	1,002.1	61.5	75.2
NICs					
Hong Kong	163.5	2.7	6.7	232.9	224.4
Singapore*	94.1	1.1	4.1	166	149
South Korea	382.1	-4	47.3	181.1	171.2
Taiwan	N/A	N/A	N/A	N/A	N/A
ASEAN					
Thailand	98	-8.6	62.9	76.1	69.1
Malaysia	73.9	-3	22.6	102.4	86.3
Philippines	46	-7.6	77.1	35.2	33.9
Indonesia*	55.9	-22.7	210.5	48.5	38.6
Aus/NZ					
Australia	316.5	-2.1	19.5	80	78.4
New Zealand	45.5	-4.7	3.9	18.1	16.7

***2000 data**
Note: GDP is in Real US$
Source: Compilations based on data from International Monetary Fund

- Overall, Asia's imports from Canada have decreased over the last decade.
- NICs (Hong Kong, Singapore, South Korea, Taiwan) and ASEAN (Thailand, Indonesia, Malaysia, Philippines) had a drastic decline in their imports from Canada. Canada's share of NICs imports declined to 8.1% in 2001 from 11.6% in 1992. Similarly, our share for ASEAN dropped to 4.4% in 2001 from 5.0% in 1992.
- Canada experienced a less severe decline in imports by China, Japan and India.
- On a better note, Canada's share of imports in Australia and New Zealand witnessed little change since 1992; moving from 3.2% to 3.0% in nine years.

Canada's Share of Asia's Imports from 1992 to 2001

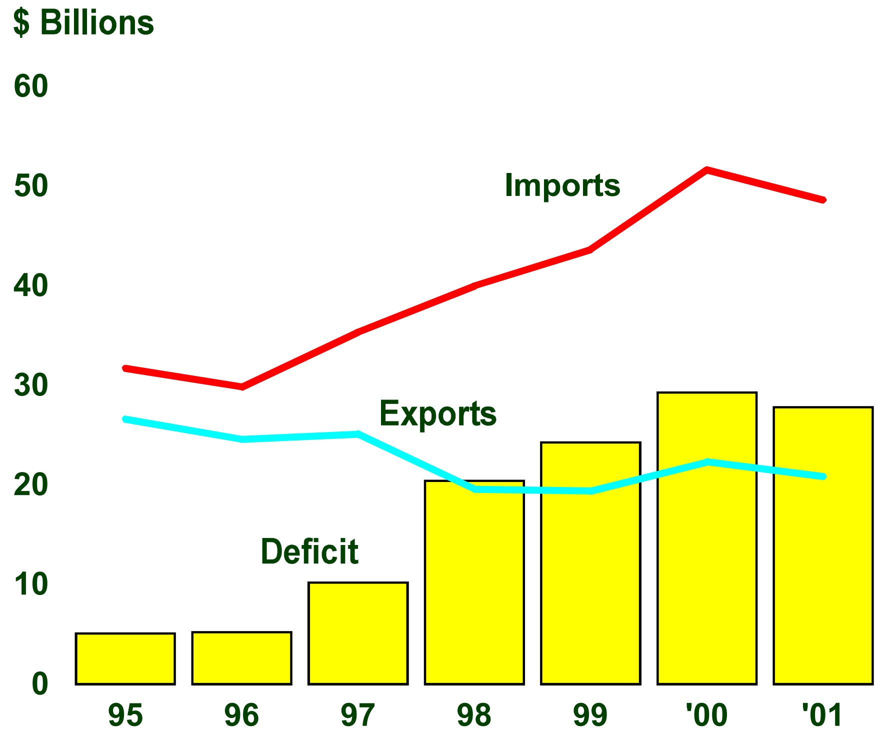


Source: Compilations based on Statistics Canada and OECD data

Canadian imports from Asia have increased dramatically...

- Canadian imports from Asia have increased dramatically, from $31.8 billion in 1995 to $48.6 billion in 2001.
- On the other hand, Canada's exports to Asia have declined significantly from $26.6 billion to $20.8 billion over the same period.
- This has resulted in a ballooning of our trade deficit with the region which increased from $5.1 billion to $27.8 billion in only 6 years — and now exceeds total exports.

Canada's Merchandise Trade with Asia



Merchandise Exports & Imports, $ Billion

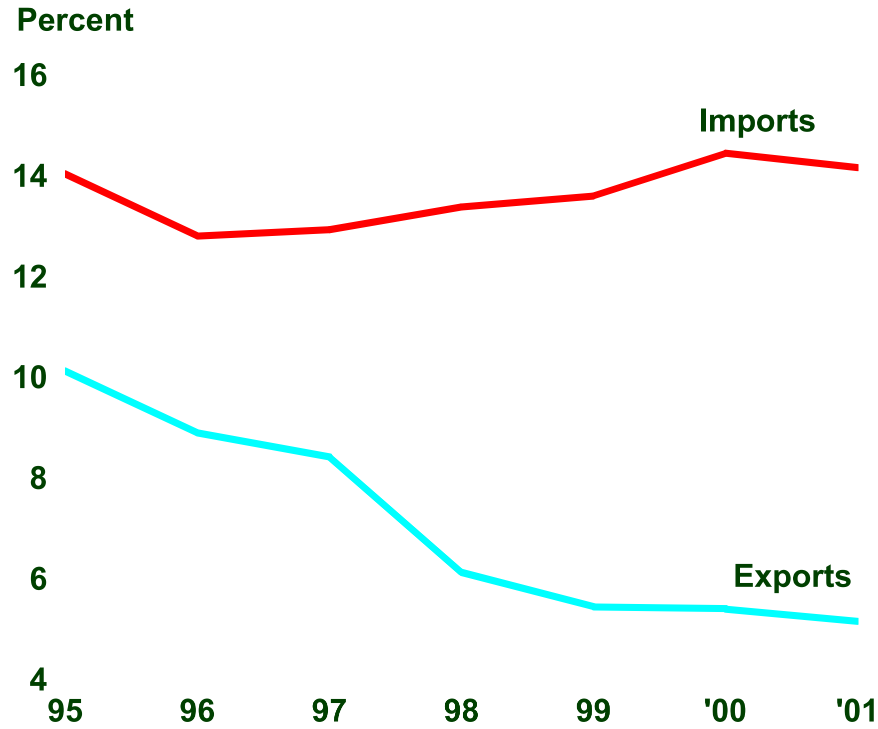
	1995	1999	2000	2001
Exports	26.6	19.4	22.3	20.8
Imports	31.7	43.6	51.6	48.6

Source: Compilations based on Statistics Canada data

...but, have not increased significantly their share of total Canadian imports

- **Although Canadian imports from Asia have gone up considerably over the past six years, this has been at roughly the same pace as imports from other regions as evidenced by the more or less stable share of imports from Asia in the total.**
- **Exports, however, have seen a dramatic decline as a share of total exports.**
  - **This is likely due to many factors, but the most important is the still-shaky recovery from the "Asian Flu" of the late 1990s.**

Asia's Share of Canada's Merchandise Trade

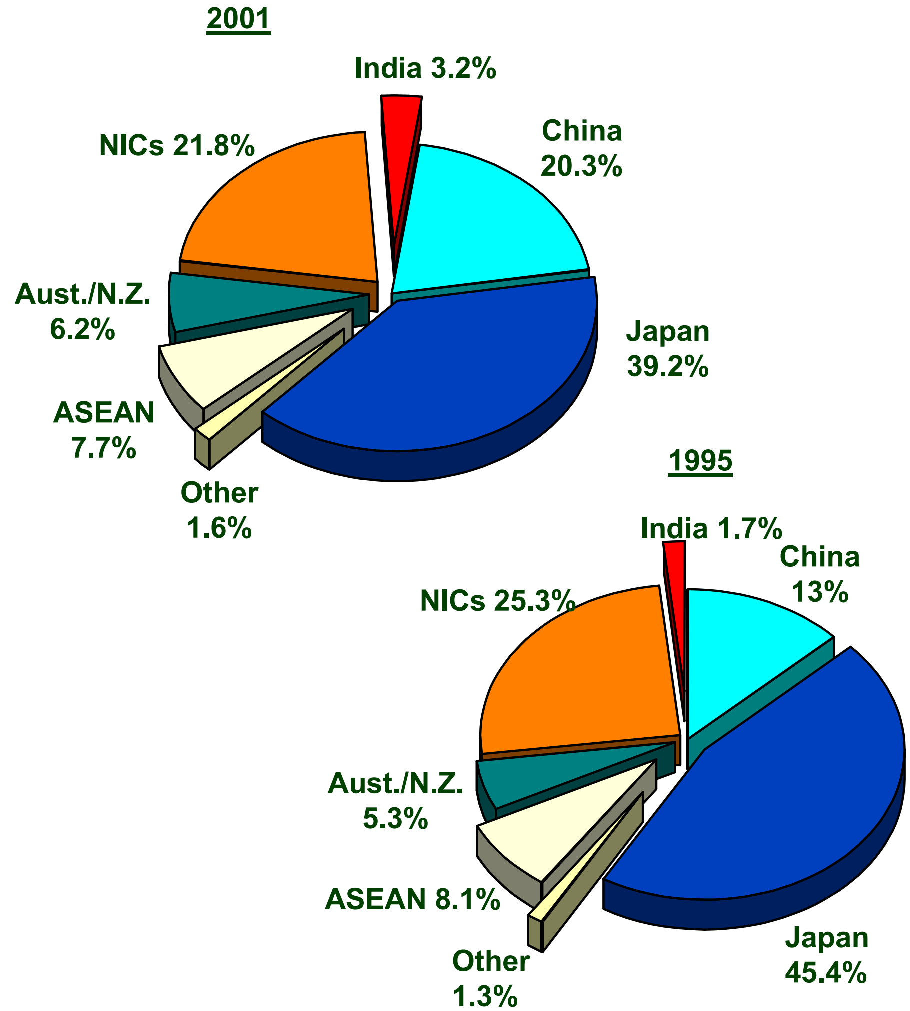


Source: Compilations based on Statistics Canada data

China and India are a growing share of Canada's exports to Asia...

- China and India are the only two economies in Asia to which Canadian exports rose between 1995 and 2001.
  - Canadian exports to India grew 6.9 percent while exports to China rose a modest 3.4 percent.
- Japan, our largest export market in the region by far, saw its share fall from 45.4 percent to 39.2 percent after years of economic stagnation in that country.
  - Canadian exports to Japan fell at an average annual rate of 6.3 percent between 1995 and 2001.
- Canadian exports to the formerly fast growing newly industrialized economies (NICs) has actually been declining at a rapid 6.4 percent annually.

Distribution of Merchandise Exports to Asia

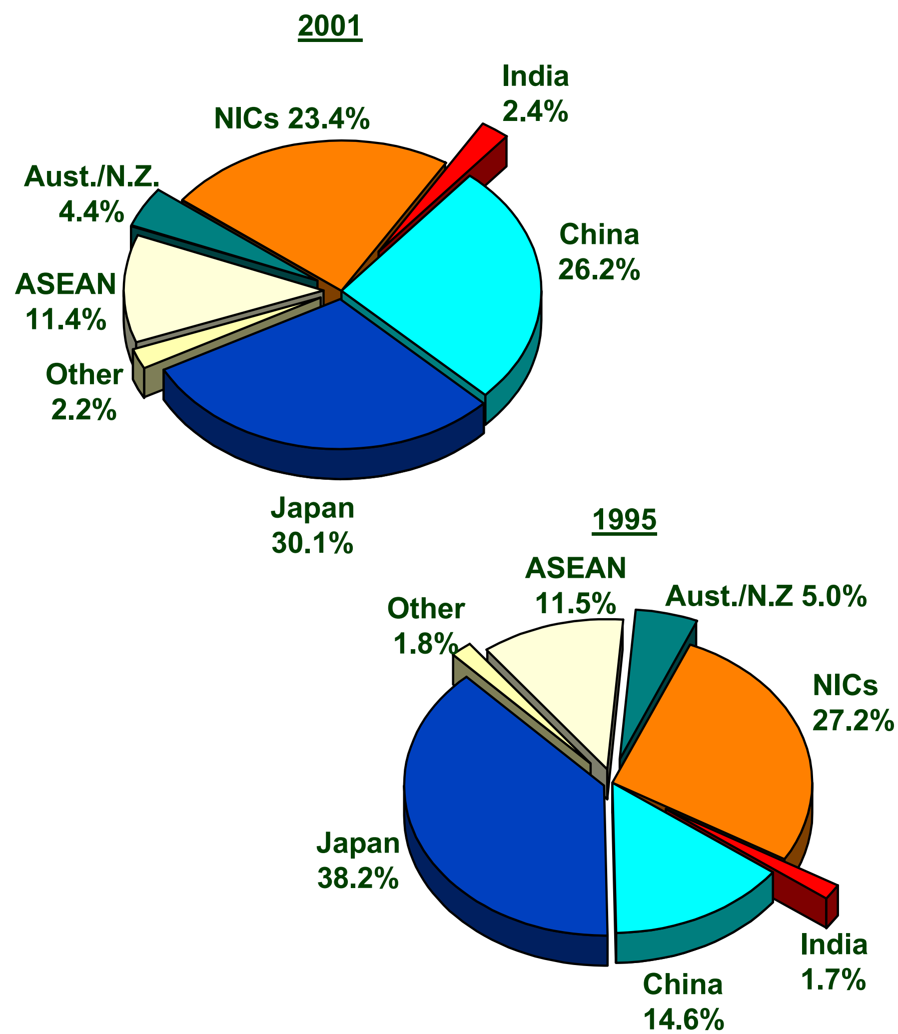


Source: Industry Canada compilations based on Statistics Canada data

...as well as imports

- China and India are the two fastest growing sources of Canadian imports from Asia, growing at average annual rates of 18.3 and 13.4 percent respectively.
- Unlike exports, imports have grown from every region/country in Asia.

Distribution of Merchandise Imports from Asia

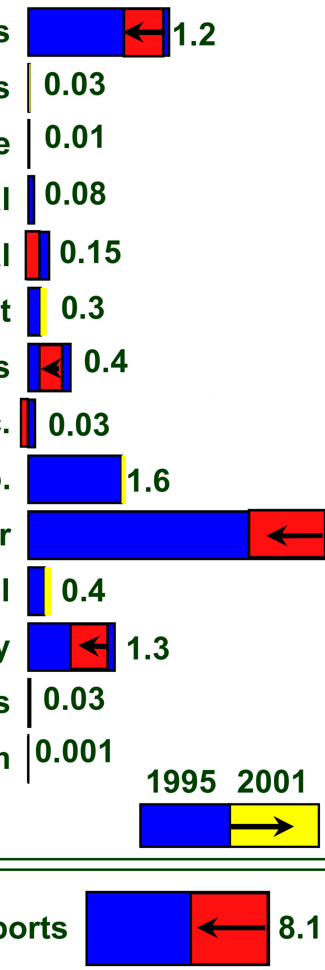


Source: Industry Canada compilations based on Statistics Canada data

Resource-based industries have suffered the greatest decline in exports to Japan

- Japan is the single largest destination for Canadian exports to Asia, at 39.2 percent of the total in 2001.
  - However, Japan only accounts for 2.1 percent of total Canadian exports.
- Canadian exports to Japan have declined considerably over the past six years hurt by continued economic difficulties in that country.
- Nearly 90.0 percent of Canadian merchandise exports to Japan are resource-based. It is these goods that have suffered the largest declines over the past six years.

Merchandise Exports to Japan



	Billions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	1.2	-10.1%	15.1%
Rubber & Plastics	0.03	4.9%	0.3%
Furniture	0.01	-3.8%	0.2%
Fabricated Metal	0.08	-1.9%	1.0%
Chemical	0.15	-12.5%	1.9%
Transportation Eq't	0.3	6.3%	3.7%
Metals	0.4	-10.6%	4.4%
Printing & Misc.	0.03	-18.6%	0.4%
Food, Bev. & Tob.	1.6	0.7%	19.8%
Wood & Paper	2.6	-10.1%	31.8%
Machinery & Electrical	0.4	5.7%	4.7%
Agri., Fishing, Forestry	1.3	-1.1%	16.4%
Clothing & Textiles	0.03	-4.2%	0.3%
Petroleum	0.001	-8.5%	0.02%

	Billions $	Growth*	Share***
Total Exports	8.1	-6.3%	2.0%

*Average annual growth
**Share of total Exports to Japan
***Share of total Canadian exports

Source: Industry Canada compilations based on Statistics Canada data

Canadian imports from Japan are heavily concentrated in Machinery & Electrical and Transportation industries

- Two industries, Machinery & Electrical and Transportation, account for more than four-fifths of Canada's imports from Japan.
  - While transportation equipment has seen a solid average annual growth of 8.6 percent, Machinery & Electrical saw a slight decline.
- Overall, growth in imports, at an annual rate of 3.2 percent, is rather small considering the decline in the relative value of the Japanese currency and the growth in imports from other countries such as the U.S.

Merchandise Imports from Japan

	Billions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	0.003	46.9%	0.02%
Rubber & Plastics	0.3	0.7%	2.1%
Furniture	0.003	-17.2%	0.02%
Fabricated Metal	0.5	0.2%	3.2%
Chemical	0.4	-2.1%	2.8%
Transportation Eq't	5.78	8.6%	41.2%
Metals	0.5	3.0%	3.2%
Printing & Misc.	0.6	10.8%	4.4%
Food, Bev. & Tob.	0.04	3.3%	0.3%
Wood & Paper	0.05	9.3%	0.3%
Machinery & Electrical	5.87	-0.4%	41.8%
Agri., Fishing, Forestry	0.01	-4.4%	0.09%
Clothing & Textiles	0.06	-3.6%	0.4%
Petroleum	0.01	37.7%	0.1%

1995 2001

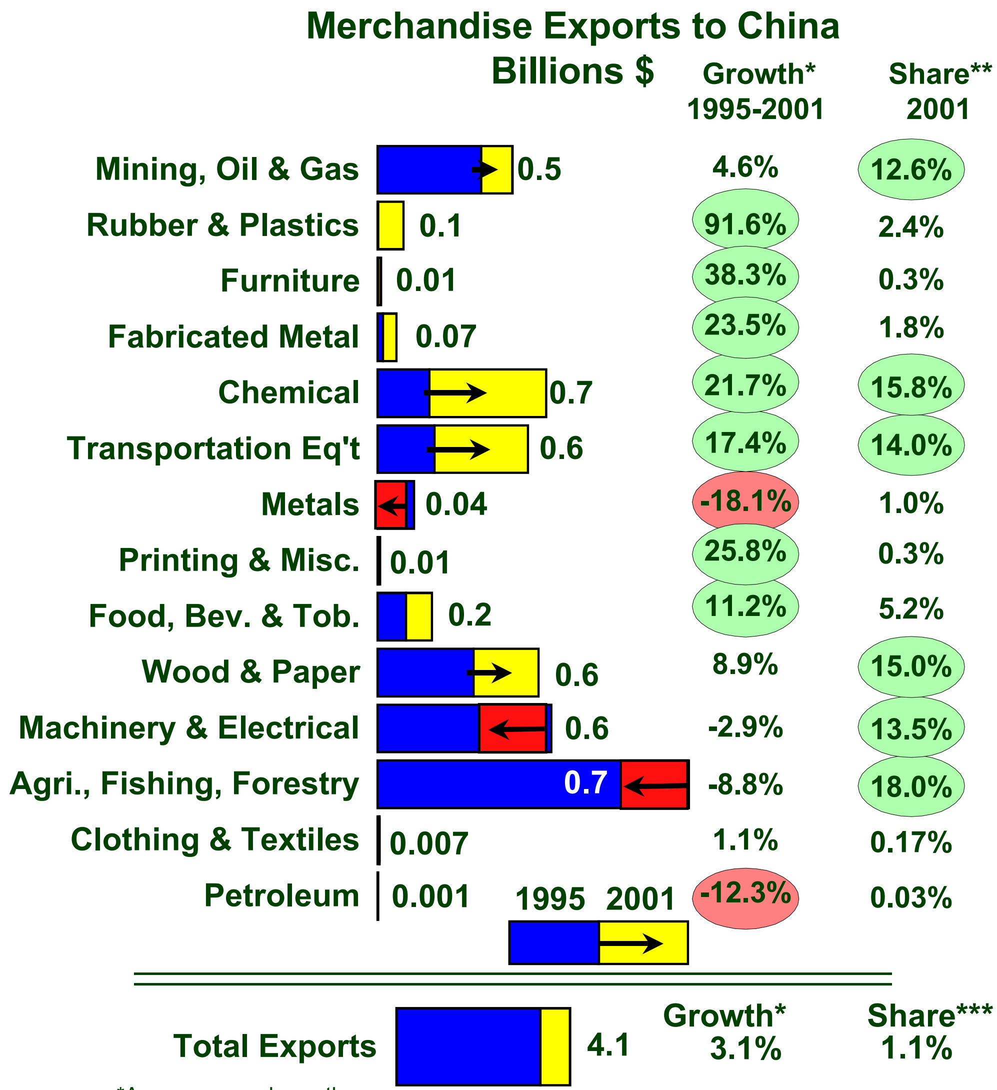
	Billions $	Growth*	Share***
Total Imports	14.0	3.2%	4.3%

*Average annual growth
**Share of total Imports from Japan
***Share of total Canadian imports

Source: Industry Canada compilations based on Statistics Canada data

Growth in Canadian exports to China was strongest in non-traditional industries

- Canada's overall export growth to China was not outstanding, averaging only 3.1 percent annually between 1995 and 2001.
- Some industries performed exceptionally well, with seven out of 14 industries growing at double digit rates.
  - The Chemical and Transportation Equipment industries are notable for posting exception growth and are now among our largest exports to China.
- However, weak growth in our traditionally largest export sectors, Agriculture, Fishing & Forestry and Machinery & Electrical, pulled down the average.

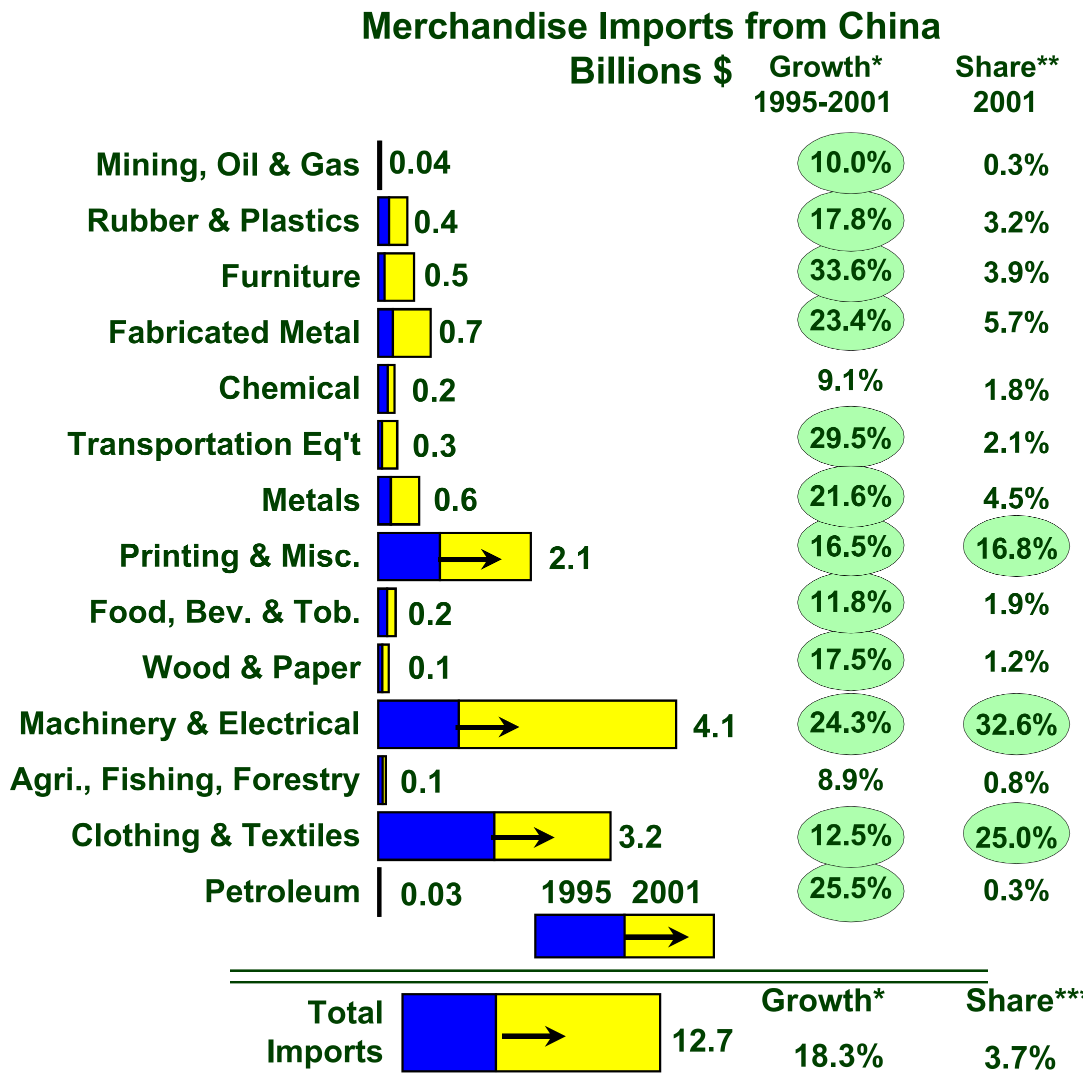


*Average annual growth
**Share of total Exports to China
***Share of total Canadian exports

Source: Industry Canada compilations based on Statistics Canada data

Machinery & Electrical and Clothing & Textiles represent nearly 60 percent of imports from China

- **Nearly three-quarters of our imports from China in 2001 were from only three industries; Machinery & Electrical, Clothing & Textiles and Printing & Misc.**
  - **Miscellaneous manufacturing includes a wide variety of industries not classified elsewhere, the most important of which for China is toys.**
- **Every single industry posted exceptional import growth.**
- **China, along with Mexico, is fast becoming one of our major sources for imports.**
  - **These two countries are also gaining a large share of the U.S. import market.**



*Average annual growth
**Share of total Imports from China
***Share of total Canadian imports

Source: Industry Canada compilations based on Statistics Canada data

India has been the strongest growth market for Canadian exports in Asia since 1995

- Led by tremendous growth in Agriculture, Fishing & Forestry Canadian exports to India grew at a solid 7.7 percent annually between 1995 and 2001.
- Two industries; Agriculture, Fishing & Forestry and Wood & Paper represent more than 50.0 percent of Canadian exports to India with Agriculture increasing at an astounding rate of more than 45.0 percent annually for the past six years.

Merchandise Exports to India

	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	94.2	8.0%	14.7%
Rubber & Plastics	-0.8	-0.03%	0.1%
Furniture	-2.2	-9.8%	0.4%
Fabricated Metal	-3.4	-0.8%	0.5%
Chemical	-18.4	-10.8%	2.9%
Transportation Eq't	-2.6	-27.7%	0.4%
Metals	67.5	29.5%	10.5%
Printing & Misc.	2.0	-0.0%	0.3%
Food, Bev. & Tob.	-1.3	-13.1%	0.2%
Wood & Paper	-146.1	-4.0%	22.8%
Machinery & Electrical	100.8	9.0%	15.7%
Agri., Fishing, Forestry	200.0	45.3%	31.2%
Clothing & Textiles	-1.7	-0.3%	0.3%
Petroleum	-.04	-13.3%	.006%

1995 2001

	Millions $	Growth*	Share***
Total Exports	641.1	7.7%	0.2%

*Average annual growth
**Share of total Exports to India
***Share of total Canadian exports

Source: Industry Canada compilations based on Statistics Canada data

Clothing & Textiles accounts for more than half of Canada's imports from India

- Clothing & Textiles is the single most important import from that country (52.0 percent of total imports).
  - However, even posting the solid growth rate of 11.0 percent annually, is among the slower growing import industries.

Merchandise Imports from India

	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	34.7	32.0%	3.0%
Rubber & Plastics	14.4	18.7%	1.3%
Furniture	5.6	34.2%	0.5%
Fabricated Metal	67.2	12.9%	5.8%
Chemical	123.3	22.4%	10.7%
Transportation Eq't	12.6	13.4%	1.1%
Metals	40.2	8.6%	3.5%
Printing & Misc.	75.0	21.4%	6.5%
Food, Bev. & Tob.	74.4	15.2%	6.5%
Wood & Paper	4.9	10.8%	0.4%
Machinery & Electrical	52.3	23.5%	4.5%
Agri., Fishing, Forestry	43.6	5.7%	3.8%
Clothing & Textiles	603.1	11.0%	52.4%
Petroleum	0.0	N/A	N/A

1995 2001

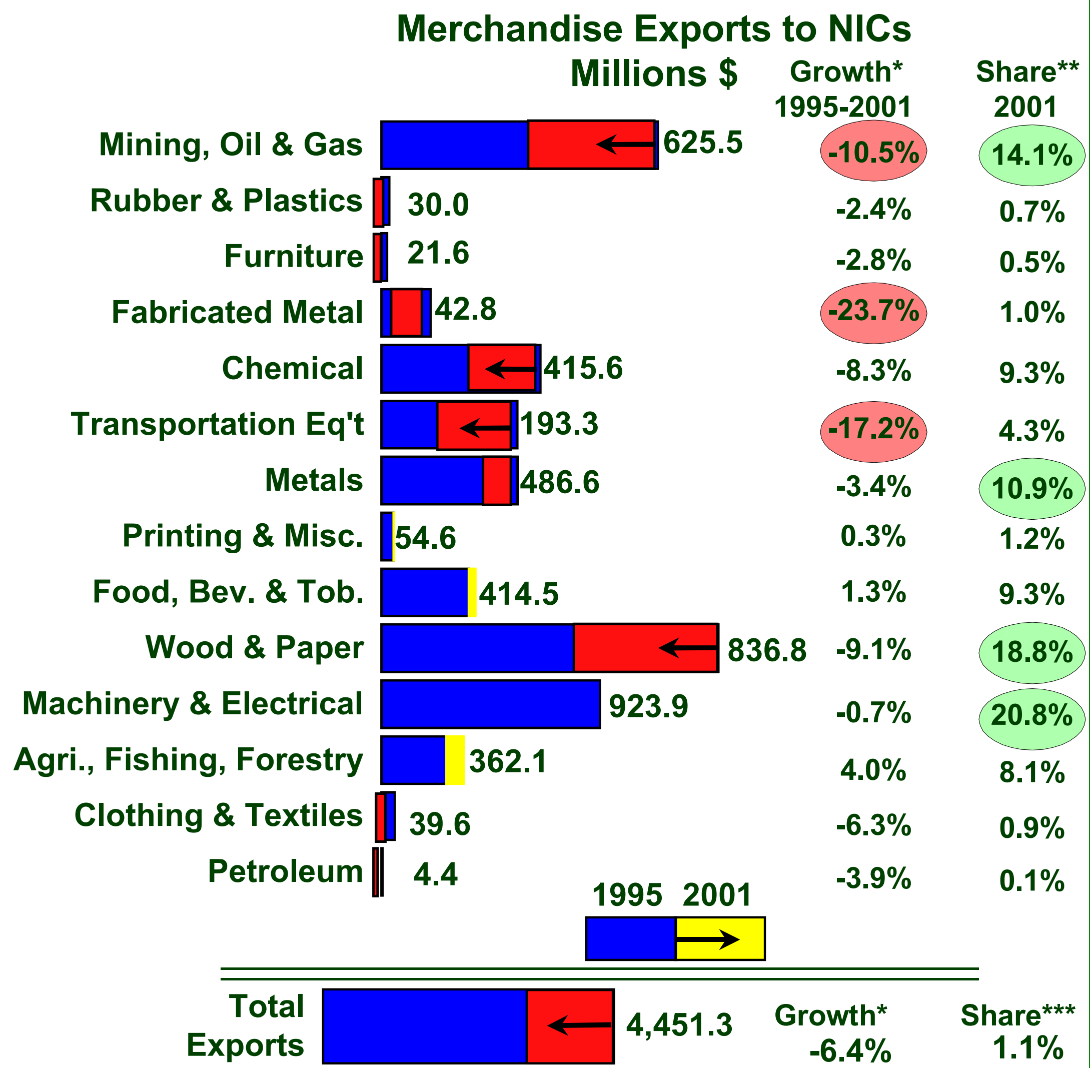
	Millions $	Growth*	Share***
Total Imports	1,151.3	13.6%	0.3%

*Average annual growth
**Share of total Imports from India
***Share of total Canadian imports

Source: Industry Canada compilations based on Statistics Canada data

Canadian exports to the Newly Industrialized Countries declined considerably

- The NICs were the worst performing destination for Canadian exports to Asia — declining at an average annual rate of 6.4 percent.
  - 11 out of 14 industries posted negative growth between 1995 and 2001, four of which declined at double digit rates.
  - Resource-based exports such as Wood & Paper and Mining, Oil & Gas lost significant ground.



*Average annual growth
**Share of total Exports to NICs
***Share of total Canadian exports
Source: Industry Canada compilations based on Statistics Canada data
Note: NICs include - Hong Kong, Taiwan, Singapore and South Korea

The Machinery & Electrical industry accounts for over fifty percent of imports from the NICs

- The Machinery & Electrical industry accounts for more than half of total Canadian imports from the NICs.
- Clothing & Textiles (13.0 percent), Transportation Equipment (12.4 percent) and Fabricated Metals (6.7 percent) represent almost a third of Canadian imports from the NICs.
  - The Transportation industry posted the highest rate of growth and consists largely of automobile imports from South Korea.

Merchandise Imports from NICs
Millions $

	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	2.3	0.8%	0.02%
Rubber & Plastics	303.8	-0.3%	2.7%
Furniture	126.8	5.9%	1.1%
Fabricated Metal	760.0	1.5%	6.7%
Chemical	299.2	10.4%	2.6%
Transportation Eq't	1,397.8	26.5%	12.4%
Metals	305.2	14.6%	2.7%
Printing & Misc.	470.4	0.5%	4.2%
Food, Bev. & Tob.	145.4	4.3%	1.3%
Wood & Paper	43.7	3.0%	0.4%
Machinery & Electrical	5,864.6	3.1%	51.9%
Agri., Fishing, Forestry	30.6	11.3%	0.3%
Clothing & Textiles	1,469.1	2.6%	13.0%
Petroleum	79.6	59.4%	0.7%

1995 2001

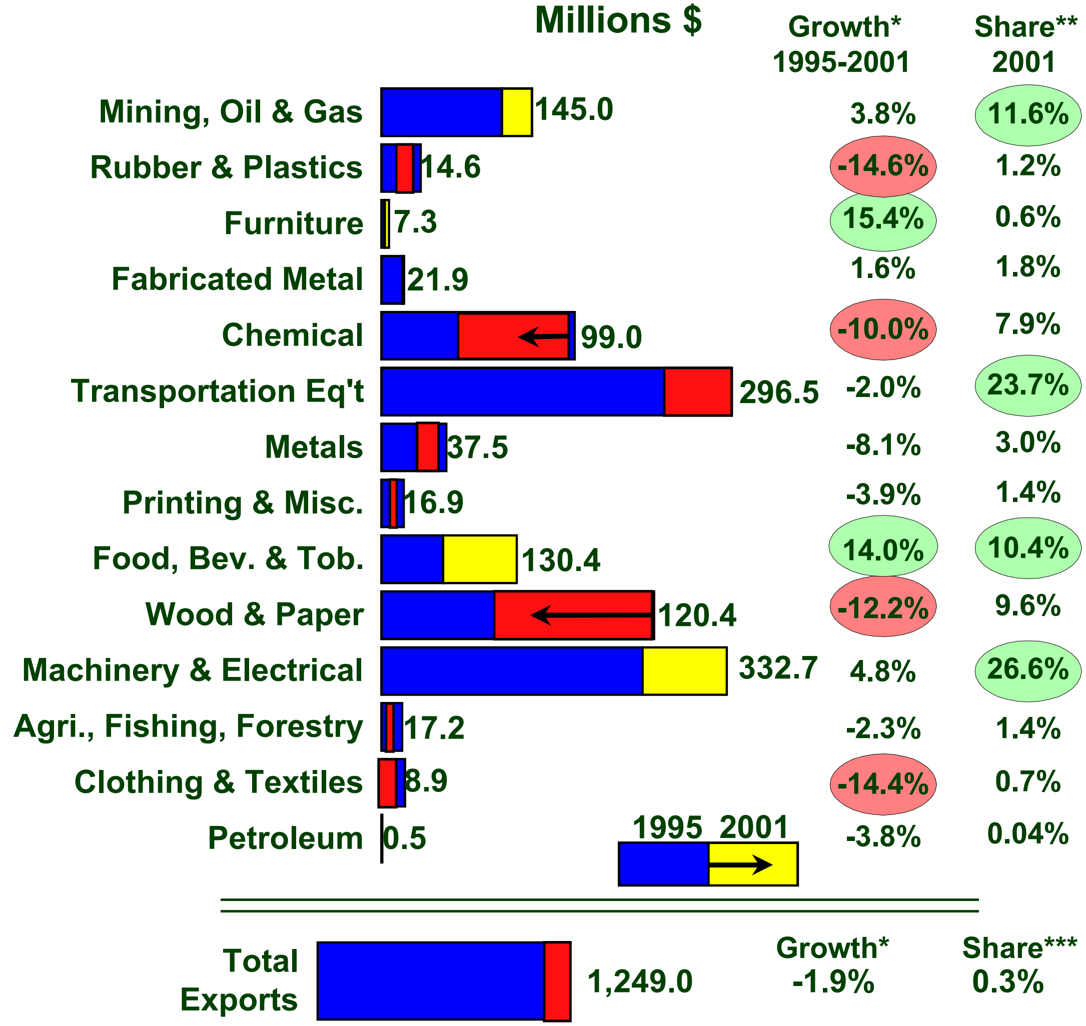
	Millions $	Growth*	Share***
Total Imports	11,298.0	4.8%	3.3%

*Average annual growth
**Share of total Imports from NICs
***Share of total Canadian imports
Source: Industry Canada compilations based on Statistics Canada data
Note: NICs include - Hong Kong, Taiwan, Singapore and South Korea

Canadian exports to Australia and New Zealand fell slightly

- Canadian exports to Australia and New Zealand declined slightly from $1.4 billion in 1995 to $1.2 billion in 2001.
- Our exports to Australia and New Zealand are well diversified and higher value-added industries such as Machinery & Electrical and Transportation Equipment account for more than half of the total.

Merchandise Exports to Australia and New Zealand

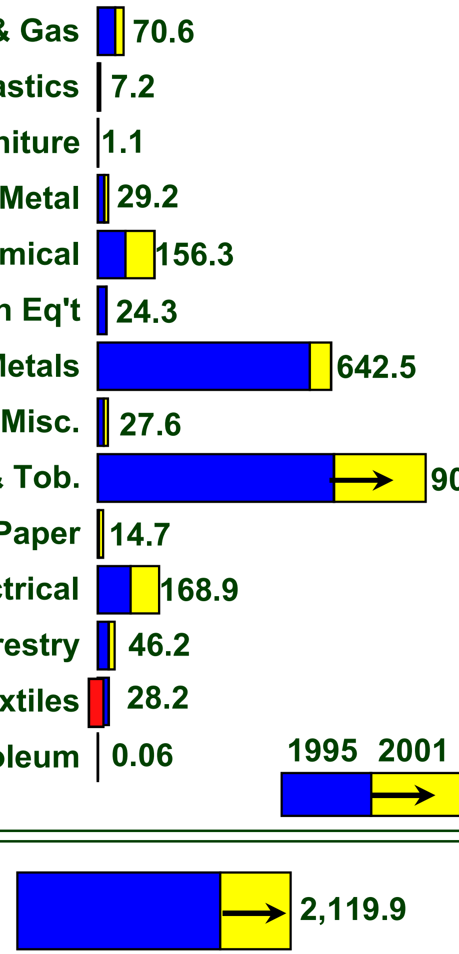


*Average annual growth
**Share of total Exports to Australia and New Zealand
***Share of total Canadian exports
Source: Industry Canada compilations based on Statistics Canada data

Imports from Australia & New Zealand posted solid growth

- Canadian imports from Australia & New Zealand grew at a solid 5.1 percent on an annual basis.
- Our imports from Australia and New Zealand are highly concentrated in just two industries, Food, Beverage & Tobacco and Metals, which combined represent over 70.0 percent of total imports.

Merchandise Imports from Australia and New Zealand



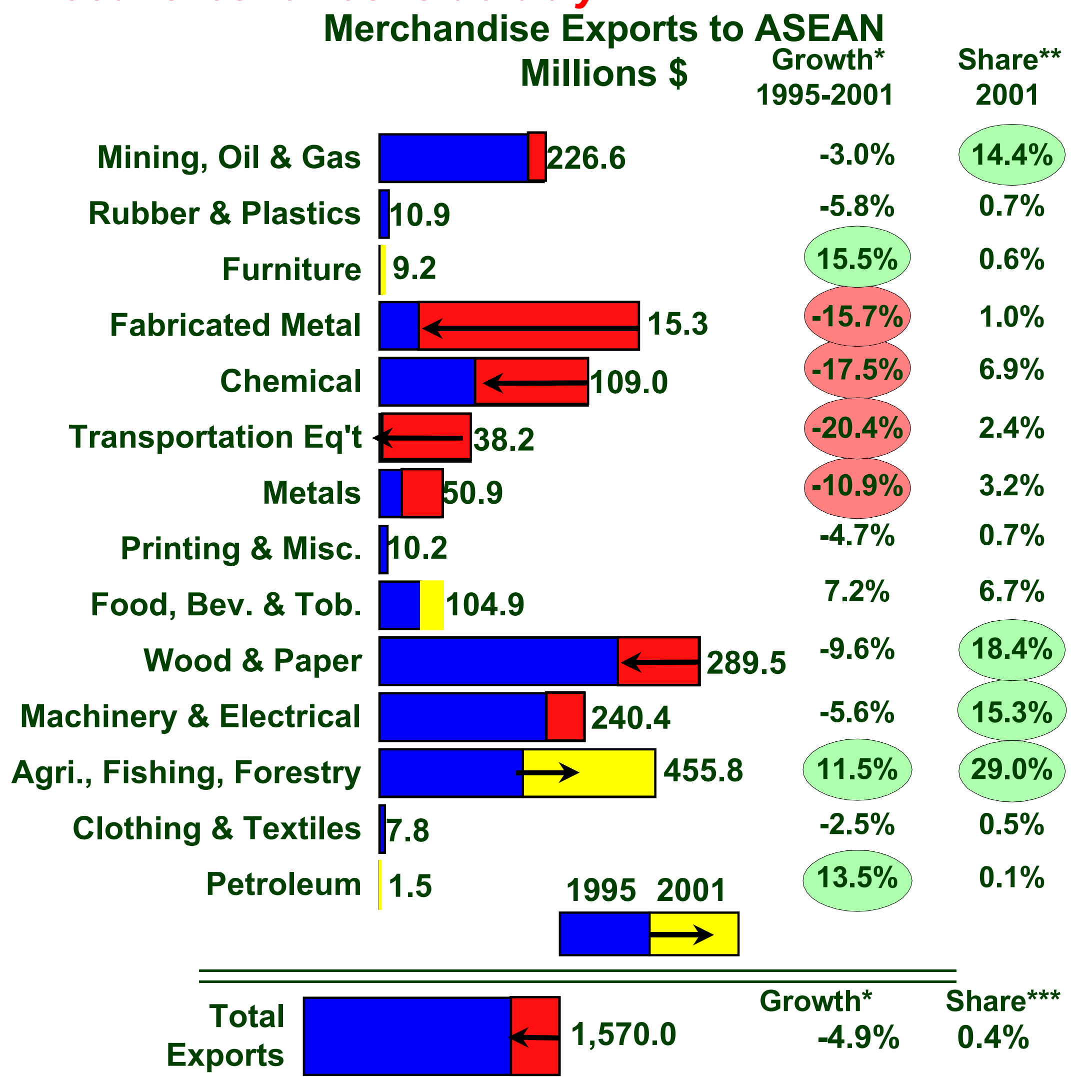
	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	70.6	6.5%	3.3%
Rubber & Plastics	7.2	17.9%	0.3%
Furniture	1.1	16.3%	0.05%
Fabricated Metal	29.2	8.6%	1.4%
Chemical	156.3	12.7%	7.4%
Transportation Eq't	24.3	0.4%	1.1%
Metals	642.5	1.6%	30.3%
Printing & Misc.	27.6	9.0%	1.3%
Food, Bev. & Tob.	903.2	5.6%	42.6%
Wood & Paper	14.7	28.6%	0.7%
Machinery & Electrical	168.9	10.9%	8.0%
Agri., Fishing, Forestry	46.2	7.4%	2.2%
Clothing & Textiles	28.2	-1.0%	1.3%
Petroleum	0.06	-12.1%	0.002%

	Millions $	Growth*	Share***
Total Imports	2,119.9	5.1%	0.6%

*Average annual growth
**Share of total Imports from Australia and New Zealand
***Share of total Canadian imports
Source: Industry Canada compilations based on Statistics Canada data

Canadian exports to the ASEAN countries fell considerably

- Canadian exports to the ASEAN fell nearly 5.0 percent on an average annual basis, between 1995 and 2001.
- Nearly every major exporting industry saw a substantial decline, Agriculture, Fishing & Forestry was the only exception.



*Average annual growth
**Share of total Exports to ASEAN
***Share of total Canadian exports
Source: Industry Canada compilations based on Statistics Canada data
Note: ASEAN includes - Thailand, Malaysia, Philippines and Indonesia

while imports, especially in Machinery & Electrical, were up considerably

- Canadian imports for the ASEAN countries grew at a healthy average annual rate of 7.1 percent.
- Machinery & Electrical, Clothing & Textiles and Food & Beverage account for about 75.0 percent of our imports from the region.

Merchandise Imports from ASEAN

	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	49.2	7.6%	0.9%
Rubber & Plastics	200.5	-2.0%	3.6%
Furniture	169.0	21.3%	3.1%
Fabricated Metal	87.5	7.8%	1.6%
Chemical	48.4	18.7%	0.9%
Transportation Eq't	67.2	17.7%	1.2%
Metals	119.4	13.8%	2.2%
Printing & Misc.	256.1	6.0%	4.7%
Food, Bev. & Tob.	560.4	4.4%	10.2%
Wood & Paper	112.9	7.2%	2.1%
Machinery & Electrical	3009.1	8.4%	54.6%
Agri., Fishing, Forestry	76.4	1.4%	1.4%
Clothing & Textiles	728.1	4.3%	13.2%
Petroleum	26.3	N/A	0.5%

1995 2001

	Millions $	Growth*	Share***
Total Imports	5,510.0	7.1%	1.6%

*Average annual growth
**Share of total Imports from ASEAN
***Share of total Canadian imports
Source: Industry Canada compilations based on Statistics Canada data
Note: ASEAN includes - Thailand, Malaysia, Philippines and Indonesia

Our exports to "other" Asia are largely from the Agricultural, Fishing or Forestry industries...

- The "other" countries of Asia represent only a tiny fraction of Canada's total trade, 0.1 percent of exports and 0.5 of imports.
- Most of our exports to these countries are raw materials from the Agriculture, Forestry or Fishing Industries.
  - However, we also export a sizable amount from the Machinery and Electrical Equipment industry.

Merchandise Exports to All Other Asia

	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	26.7	5.4%	7.5%
Rubber & Plastics	2.0	6.2%	0.6%
Furniture	0.5	-10.1%	0.2%
Fabricated Metal	2.2	-13.6%	0.6%
Chemical	19.3	-1.9%	5.4%
Transportation Eq't	5.5	-25.9%	1.5%
Metals	19.8	8.2%	5.5%
Printing & Misc.	1.5	-25.2%	0.4%
Food, Bev. & Tob.	12.9	-0.4%	3.6%
Wood & Paper	21.4	-8.3%	6.0%
Machinery & Electrical	79.7	6.5%	22.2%
Agri., Fishing, Forestry	162.8	3.3%	45.5%
Clothing & Textiles	3.4	2.0%	0.9%
Petroleum	0.08	7.0%	0.02%

1995 2001

	Millions $	Growth*	Share***
Total Exports	357.7	0.7%	0.1%

*Average annual growth
**Share of total Exports to all other Asia
***Share of total Canadian exports
Source: Industry Canada compilations based on Statistics Canada data

...while our imports are mostly Clothing and Textiles

- Imports from the "other" Asian countries increased at a healthy pace of 8.1 percent per year.
- Imports from "other" Asian countries are concentrated in two industries; Clothing & Textiles and Machinery and Electrical.

Merchandise Imports from All Other Asia

	Millions $	Growth* 1995-2001	Share** 2001
Mining, Oil & Gas	9.7	40.0%	0.6%
Rubber & Plastics	9.4	0.5%	0.6%
Furniture	9.3	57.7%	0.1%
Fabricated Metal	3.5	15.3%	0.2%
Chemical	1.9	-7.8%	0.1%
Transportation Eq't	5.0	29.9%	0.3%
Metals	12.0	15.6%	0.8%
Printing & Misc.	33.1	8.8%	2.1%
Food, Bev. & Tob.	81.4	4.6%	5.1%
Wood & Paper	2.9	20.4%	0.2%
Machinery & Electrical	554.1	4.5%	34.8%
Agri., Fishing, Forestry	62.9	11.4%	4.0%
Clothing & Textiles	805.2	10.9%	50.6%
Petroleum	0	N/A	0.1%

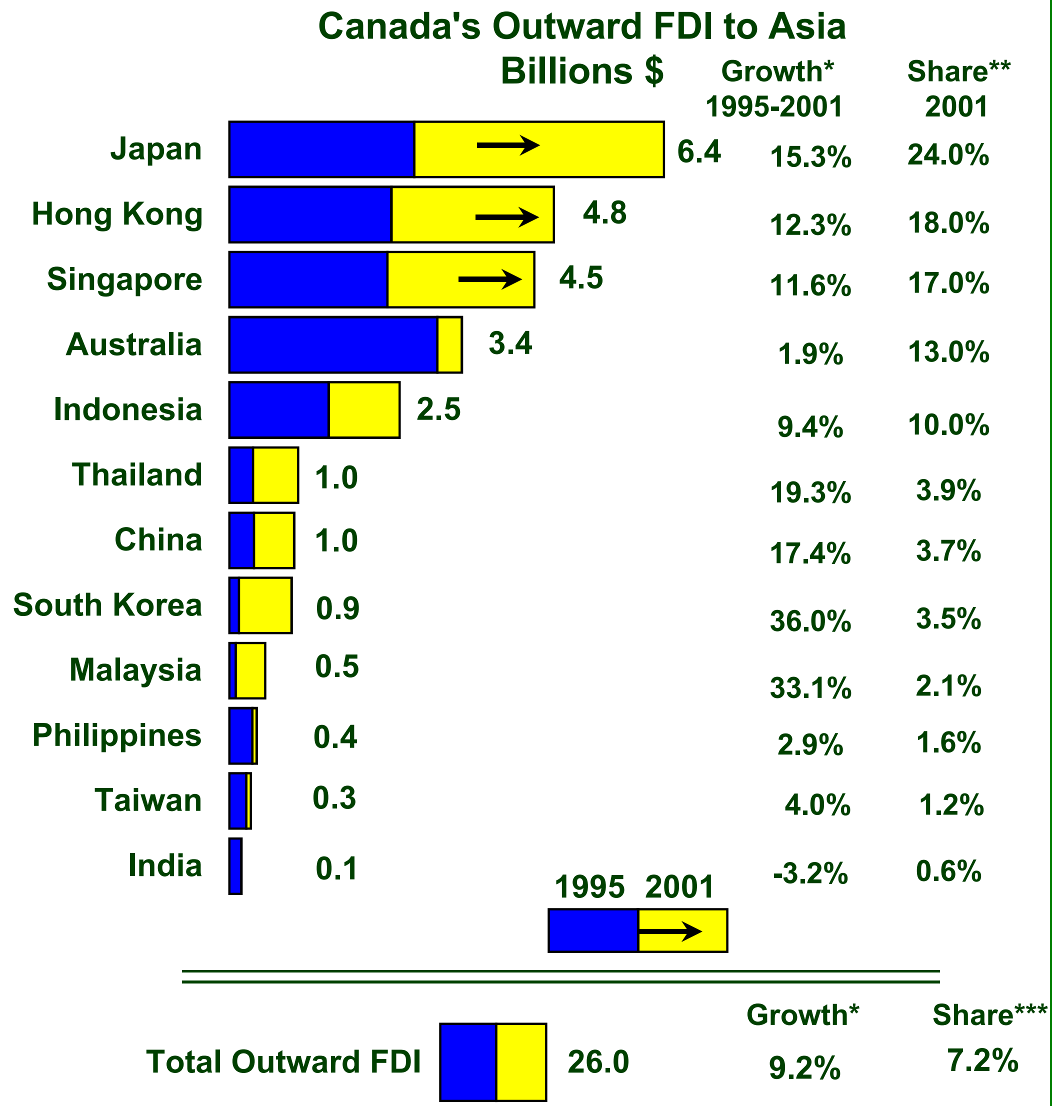
1995 2001

	Millions $	Growth*	Share***
Total Imports	1,590.6	8.1%	0.5%

*Average annual growth
**Share of total Imports from all other Asia
***Share of total Canadian imports
Source: Industry Canada compilations based on Statistics Canada data

Canadian FDI in Asia has grown rapidly...

- **Asia accounts for a larger share of our outward FDI than it does for our exports.**
- **The five most important countries account for three-quarters of our outward FDI to Asia.**

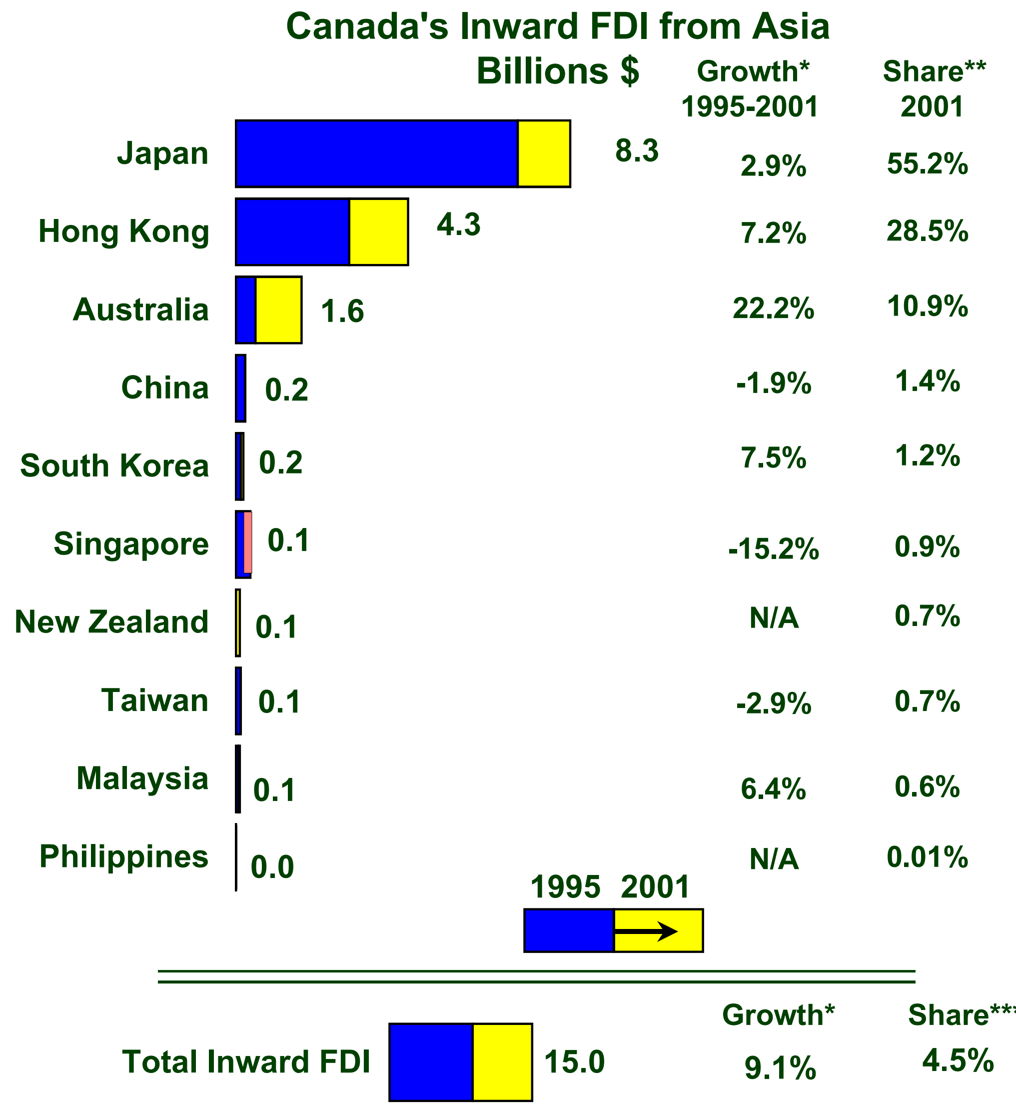


Note: FDI data is sometimes subject to confidentiality constraints and data may not be available for every country and/or every year.

*Average annual growth
**Share of total outward FDI to all Asia
***Share of total Canadian Outward FDI
Source: Industry Canada compilations based on Statistics Canada data

...while our inward FDI from Asia is still very small

- Globally, most FDI is done by developed countries. It is therefore not surprising that Japan accounts for a majority of FDI in Canada from Asia.
  - Hong Kong also accounts for a significant proportion of our FDI from the region as does Australia whose FDI in Canada has grown at a rapid 22.2 percent annually between 1995 and 2001.
- All of the other countries in Asia account for less than seven percent of our FDI from Asia.



*Average annual growth
**Share of total FDI from all Asia
***Share of total Canadian FDI
Source: Industry Canada compilations based on Statistics Canada data

Appendix

Asia

China *- Mainland China, excluding Hong Kong*

India

NICs *(Newly Industrialized Economies)*
- Hong Kong, Taiwan, South Korea, and Singapore

Aust./N.Z. *- Australia and New Zealand*

ASEAN *(Association for South-East Asian Nations)*
- Philippines, Thailand, Malaysia, and Indonesia

All Other *- Afghanistan, American Samoa, Bangladesh, Bhutan, Brunei Darussalam, Burma (Myanmar), Cambodia (Kampuchea), Christmas Island, Cocos (Keeling) Islands, Cook Islands, East Timor, Fiji, French Polynesia, Guam (U.S.), Heard/McDonald Island, Kiribati (includes Tuvalu), Korea, North, Laos, Macau (Macao), Maldives, Micronesia, Mongolia, Nauru, Nepal, New Caledonia, Niue, Norfolk Island, Pakistan, Papua New Guinea, Pitcairn Island, Samoa (Western), Solomon Islands, Sri Lanka, Tokelau, Tonga, Vanuatu (New Hebrides), Vietnam, Wallis and Futuna Islands.*

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