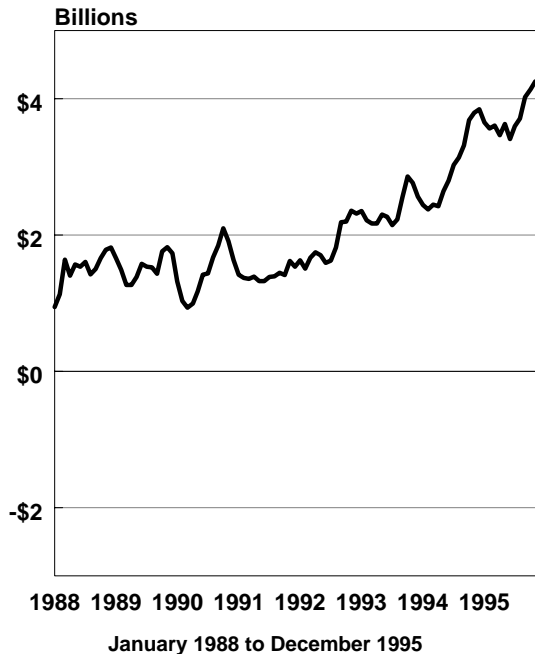
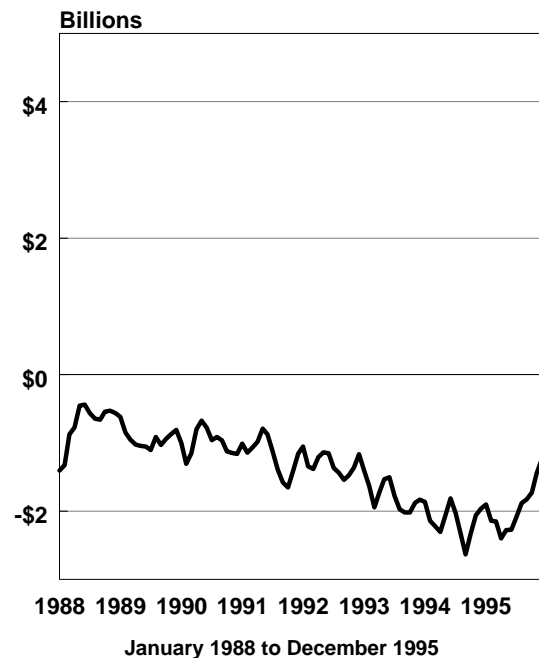


## Feature: Canadian Merchandise Trade Balances

**Canadian Merchandise Trade  
Monthly Surpluses With the U.S.A.**



**Canadian Merchandise Trade  
Monthly Deficits With All Other Partners**



Canada's monthly merchandise trade balances rose well into surplus during 1995, pushed up by sharply rising exports. Trade surpluses with the U.S. accelerated along their five year upward trend. Monthly balances with the aggregate of all other trading partners continued as deficits — but shrank to about half their size at the beginning of the year.

But the Agreement has also been a factor in the sharply growing Canadian trade deficit with Mexico, the other NAFTA partner. Canada has experienced consistent trade deficits with Mexico for some time. These grew very rapidly after the beginning of 1994 - the year of Mexican entry to NAFTA.

It has been trade with the United States that has allowed Canada to maintain positive overall trade balances since the late 1980's. With all other trading partners (taken together), Canada has consistently run merchandise trade deficits. Surpluses produced from trade with the United States have, so far, more than counterbalanced these.

The North American Free Trade Agreement (NAFTA) has played an important part in allowing Canada to continue to expand its trade surpluses with the United States during the 1990's. Without the Agreement it is likely that the initiatives of U.S. trade protectionists would have been stronger - and Canada's options for defence weaker.

**Canadian Trade With Mexico**



## **Motor Vehicles and Parts**

The motor vehicle industry has been critical in determining Canada's overall trade balances with both of its North American trading partners. Motor vehicles and parts accounted for 30% of Canadian exports to the U.S. in 1995, and 27% of imports from the U.S.

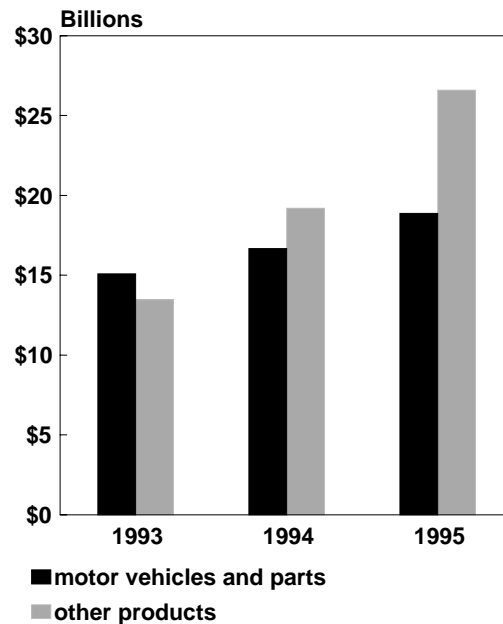
As recently as 1993, Canada's monthly trade surpluses with the U.S. for motor vehicles and parts were greater than its surpluses for all other goods combined. Since then trade surpluses with the United States have grown even faster for other types of products. By 1995, the surplus in motor vehicle products trade still rated as the largest single component of the annual overall merchandise trade surplus with the United States, but it was no longer greater than the surplus for all other products combined.

Canadian trade with Mexico has also been largely shaped by the exchange of motor vehicles and parts. In motor vehicle trade with Mexico, Canada runs deficits as consistently as it runs surpluses in its trade with the United States, although not of the same magnitude. In 1995, the motor vehicle products deficit with Mexico amounted to \$2.05 billion, roughly a tenth the size of the \$18.87 billion motor vehicle surplus with the United States.

The deficit in motor vehicle products has accounted for about half of Canada's overall deficit with Mexico. In 1995, this amounted to 49% of the \$4.2 billion total deficit with Mexico.

The United States has also experienced deficits in motor vehicle trade with Mexico. In 1994 the United States imported \$US 8.7 billion worth of Mexican motor vehicles and parts, while sending \$US 6.4 in the other direction. Although the U.S. experienced a \$US 2.3 billion motor vehicle trade deficit with Mexico, its surpluses for trade in other products produced a roughly balanced overall trade with its southern NAFTA partner.

**Motor Vehicle Component in  
in Canadian Trade Surpluses  
With the U.S.A.**



## **Canadian Exports in Overseas Markets**

Canadian merchandise trade in markets outside North America has generally produced deficits. The situation improved considerably in 1995, as exports to offshore markets rose faster than imports. This led to much smaller monthly deficits by the end of the year, but still left the country dependent on trade with the U.S. for its overall trade balance.

Trade with Europe has produced consistent deficits for Canada since at least the late 1980's. These began to grow larger in 1993 and 1994. North American economic growth in that period drew in larger values of imports from Europe, while the weak European economy provided a relatively poor market for imports from Canada.

There was a marked reversal in the second half of 1995. Canada's deficit with Europe fell from a monthly high of \$900 million in June, to less than \$200 million in December.

Trade balances with Japan also changed dramatically for Canada during 1995. They moved from deficits of around \$200 in the January to March period, to balanced trade by mid-summer, and then

up to a December monthly surplus of more than \$100 million.

Canadian trade with other Pacific Rim countries (taken as a whole) has generally produced deficits. In 1995 imports from Pacific Rim countries other than Japan exceeded exports by \$5.8 billion.

Much of this was the result of growing Canadian imports from China and South East Asia. The deficit for trade with China was \$1.4 billion in 1995. For trade with the Association of South East Asian Nations (ASEAN), it was \$2.5 billion.

Taken with the statistics for B.C. origin exports to the U.S.A. and Mexico, these numbers suggest that the province's trade balances with the North American trading partners have been moving in much the same direction as the balances for Canada as a whole - growing surpluses for trade with the United States, and growing deficits for trade with Mexico.

### ***British Columbia's International Trade Balances***

British Columbia's international merchandise trade balance was estimated to be \$4.1 billion in 1994, the latest year for which estimates are available. The province has traditionally maintained a positive merchandise trade balance with its international trading partners, but a negative balance of trade (deficit) with the rest of Canada. Historically, there has been a pattern of selling raw or semi-processed resource commodities on international markets, while purchasing tariff-protected manufactured goods from Ontario and Quebec.

It is not possible to calculate British Columbia's trade balances with individual countries because no appropriate statistics are available for imports consumed within the province.

However, there are numbers available for the value of Canadian imports clearing customs through offices of Revenue Canada located in British Columbia. For most imports these numbers imply little or nothing about the value of imports actually consumed in British Columbia. But for imports from the U.S.A. and Mexico, the BC cleared import numbers could be said to indicate at least the direction of growth of B.C. consumed imports.