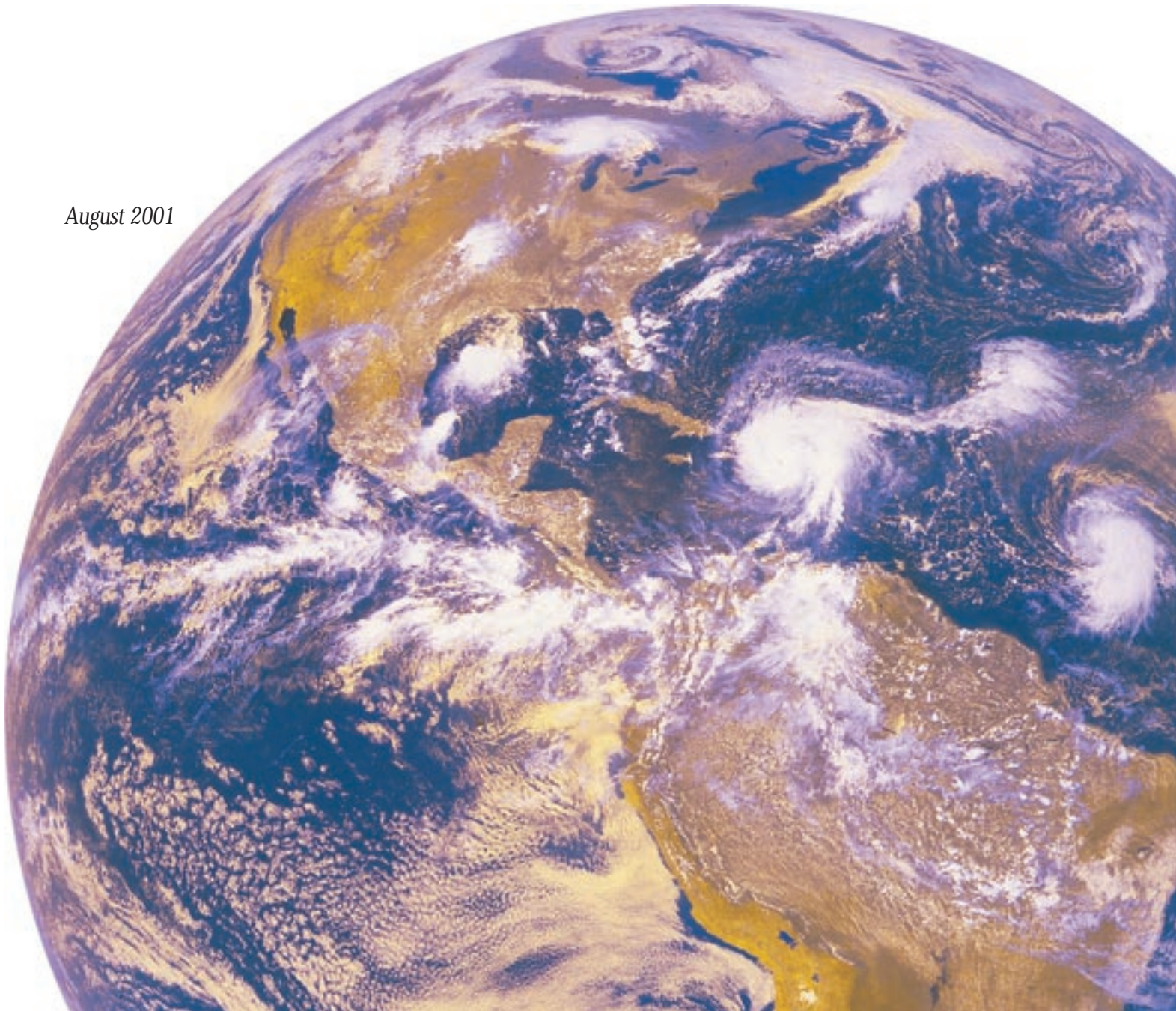


United States–Canada: THE WORLD'S LARGEST TRADING RELATIONSHIP

Trade between the United States and Canada averages \$1.3 billion a day

August 2001



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

THE UNITED STATES' TRADE WITH CANADA TOTALS 50% MORE THAN ITS NEXT LARGEST TRADE RELATIONSHIP

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

In 2000, U.S. transactions with Canada reached \$489 billion, 52% more than its exchange with Japan and 62% more than its trade with the United Kingdom.

U.S. trade with Canada increased by nearly \$53 billion, or 12%, over the figure for 1999.

CANADA BUYS NEARLY A QUARTER OF U.S. EXPORTS OF GOODS TO THE WORLD

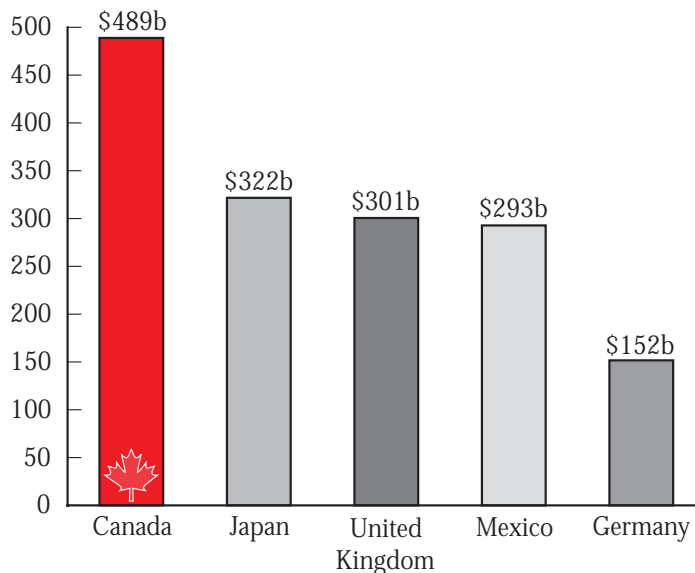
In 2000, the United States sold \$179 billion worth of goods to Canada, a 7% increase over the previous year.

Canada's purchases of U.S. merchandise amounted to about \$5,821 per person, an increase of \$375 per capita over 1999. The United States bought \$234 billion worth of Canadian goods, approximately \$849 for every American.⁴

The United States sold nearly three times as much to Canada as it did to Japan. In 2000, U.S. exports to the province of Ontario alone were worth almost twice as much as those to Japan.

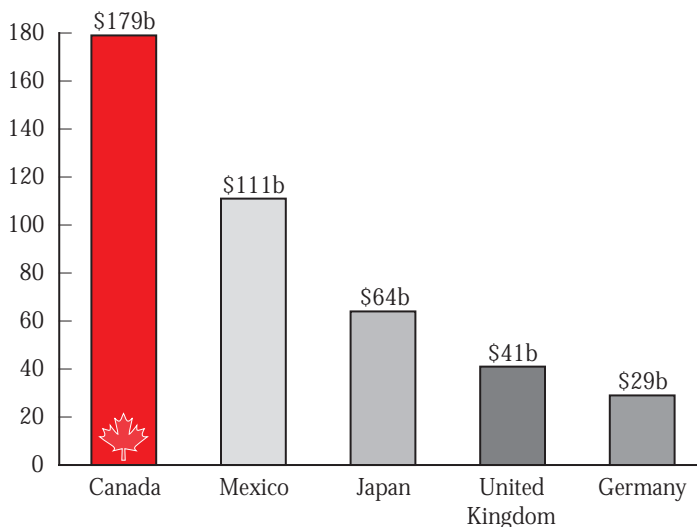
Canada bought more U.S. goods than all 15 countries of the European Union combined, and more than all of the countries of Latin America and the Caribbean.

U.S. Trade with Leading Partners Exports and Imports, Goods, Services and Income 2000, in billions of U.S. dollars



Source: U.S. Department of Commerce

U.S. Exports of Goods 2000, 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 to 100 due to rounding.
4. The U.S. population figure is from the U.S. Census Bureau; the Canadian figure is from Statistics Canada.
5. Non-merchandise trade figures for Germany and Mexico and all investment figures for 2000 are preliminary.

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 55 YEARS

Since 1946, Canada has been the leading foreign export market for U.S. goods. In 2000, it was the leading market for 38 of the 50 states.

In the past 20 years, U.S. merchandise exports to Canada have increased fivefold.



Sources: U.S. Department of Commerce

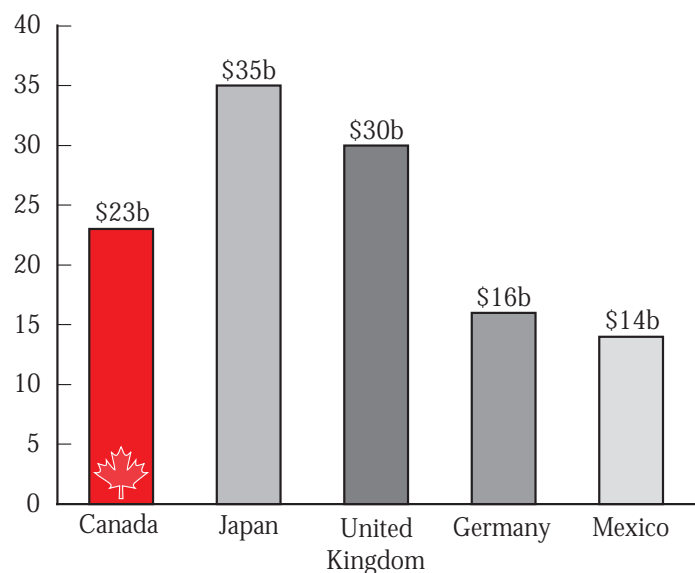
THE UNITED STATES HAS A SURPLUS IN SERVICES TRADE WITH CANADA

The United States leads the world in the export of services, ranging from transportation to software to professional expertise. Canada continues to be a top customer, with purchases of \$23 billion in 2000. Canada provided the United States with \$17 billion worth of services that year.

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

2000, in billions of U.S. dollars



Source: U.S. Department of Commerce

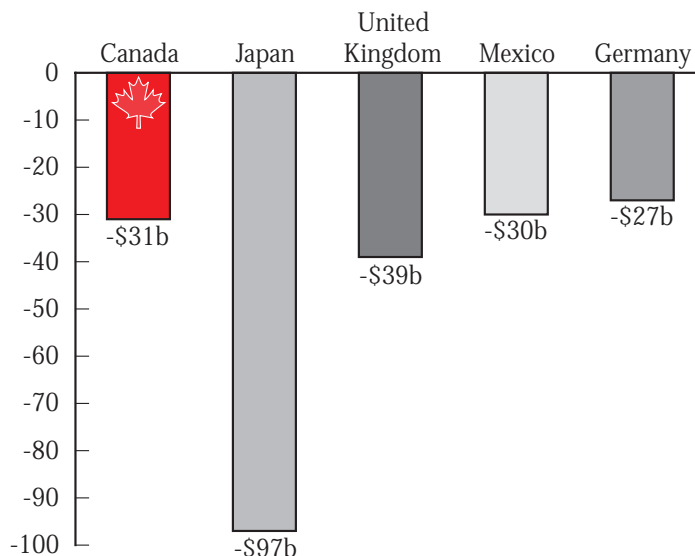
Free Trade Agreements Have Benefited All the Partners

THE UNITED STATES' CURRENT ACCOUNT DEFICIT WITH CANADA AMOUNTS TO ONLY 6% OF THE TOTAL EXCHANGE

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 2000, Canada's surplus was \$31 billion, only 6% of all goods, services and income flows between the two countries.

The U.S. current account with the world showed a negative balance of \$445 billion in 2000, 14% of its trade in goods, services and income flows with all nations.

*U.S. Current Account Balance
2000, in billions of U.S. dollars*



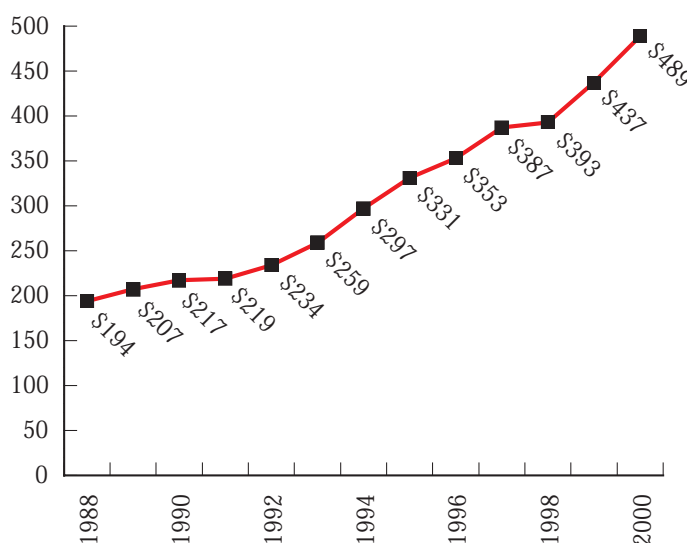
Source: U.S. Department of Commerce

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). Two-way trade between Canada and the United States has continued to flourish, growing by 65% between 1988 and 2000.

*U.S. Trade with Canada
Exports and Imports, Goods, Services and Income
1988–2000, in billions of U.S. dollars*



Source: U.S. Department of Commerce

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

THE UNITED STATES IS THE LARGEST FOREIGN SOURCE OF INVESTMENT FOR CANADA

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

The United States is by far the largest foreign source of investment in Canada, accounting for 64%.[†]

U.S. investors had a total of \$126 billion in Canadian industries at the end of 2000, 10% of all U.S. direct investment abroad.

This marked an increase of \$15 billion or 14% over the year-end position for 1999. Most of the increase came from reinvested earnings, particularly in the petroleum and transportation equipment manufacturing industries.

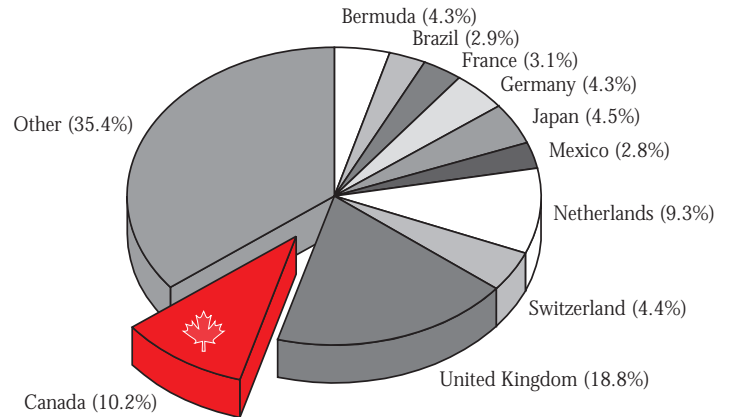
[†] Source: Statistics Canada

CANADA IS THE SIXTH LARGEST SOURCE OF FOREIGN CAPITAL FOR THE UNITED STATES

Half of all Canadian direct investment abroad is in the United States.

Canada had \$101 billion invested there at the end of 2000, an increase of \$24 billion, or 32%, over 1999. Acquisitions by Canadian investors of communications equipment manufacturers and telecommunications firms accounted for most of the increase.

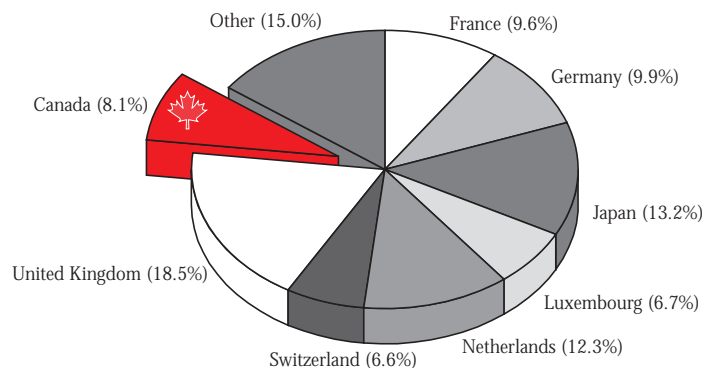
U.S. Direct Investment Position Abroad* 2000, host-country shares



Source: U.S. Department of Commerce

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

Foreign Direct Investment Position in the U.S.* 2000, parent-company shares



Source: U.S. Department of Commerce

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

The Exchange Supports Thousands of Jobs on Both Sides of the Border

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 2000, transportation equipment accounted for almost a third of both U.S. merchandise exports to and imports from Canada. U.S. manufacturers sold over \$26 billion in motor vehicle parts, engines and engine parts and \$14 billion worth of automobiles and trucks to Canada. The United States bought \$45 billion worth of autos and trucks and \$15 billion in parts and engines from Canada.

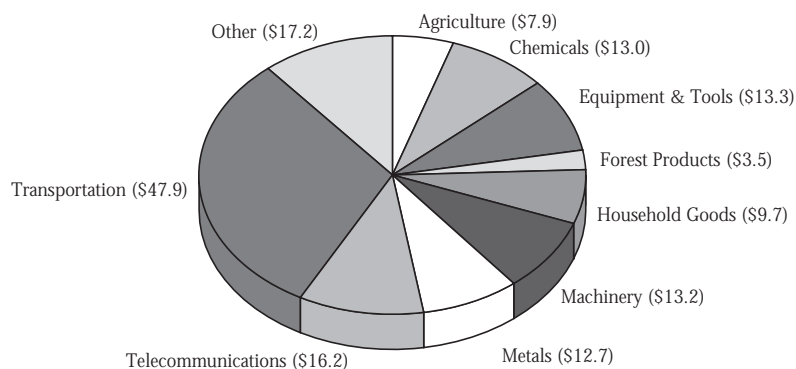
U.S. exports to Canada also included \$16 billion in high-tech telecommunications equipment, in particular \$7 billion worth of computers and \$3 billion worth of tubes and semi-conductors. The United States supplied Canada with a variety of other goods, among them, \$13 billion in chemical products, including almost \$6 billion in plastics and \$2 billion in organic chemicals, and another \$2 billion worth of pharmaceuticals.

CANADA IS THE UNITED STATES' LARGEST FOREIGN SOURCE OF ENERGY

Canada's energy exports to the United States totalled \$35 billion in 2000, an increase of 88% over the previous year. Exports included \$14 billion in natural gas, \$13 billion in crude petroleum, and \$5 billion in petroleum and coal products. In addition, Canada supplied close to 100% of U.S. electricity imports, or \$3 billion worth.

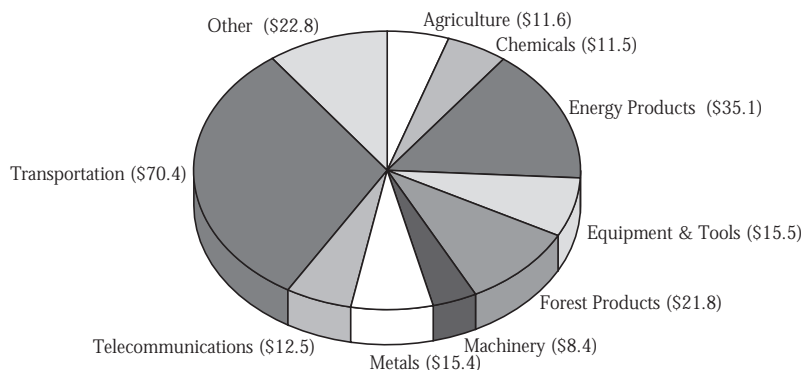
Canadian forest exports amounted to \$22 billion and included \$6 billion in softwood lumber and \$5 billion in newsprint. The United States also purchased \$6 billion in airplanes, their engines and parts; \$4 billion in office machines; and \$4 billion in aluminum and aluminum alloys.

U.S. Exports of Goods to Canada 2000, in billions of U.S. dollars



Source: Statistics Canada

U.S. Imports of Goods from Canada 2000, in billions of U.S. dollars



Source: Statistics Canada

Canada

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