



LIBRARY of PARLIAMENT
BIBLIOTHÈQUE du PARLEMENT

TRADE AND INVESTMENT



Canadian Trade and Investment Activity: Canada–United States

**Publication No. 2010-35-E
22 July 2010**

Michael Holden

International Affairs, Trade and Finance Division
Parliamentary Information and Research Service

***Canadian Trade and Investment Activity:
Canada–United States***
(Trade and Investment Series)

HTML and PDF versions of this publication are available on Intraparl
(the parliamentary intranet) and on the Parliament of Canada website.

Ce document est également publié en français.

The Library of Parliament ***Trade and Investment*** series provides information on Canada's trade and investment relationship with selected countries. Particular attention is paid to bilateral merchandise trade, trade in services, and foreign investment. These publications are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

Merchandise Trade

The United States is Canada's most important trading partner. In 2009, Canada's bilateral merchandise trade with the US totalled \$456.6 billion, consisting of \$269.8 billion in Canadian exports to, and \$186.8 billion in imports from, the US.

Canada-US merchandise trade in 2009 was significantly affected by the global financial and economic crisis. The total value of exports to the US fell by more than 28% over 2008 levels, while exports to all other countries fell by 17%. Similarly, imports from the US fell by 18% from 2008 to 2009 compared to 14% from all other countries. Both exports to, and imports from, the US in 2009 were at their lowest levels since 1997.

The US is falling in importance as a trading partner for Canada. The US accounted for 75% of Canada's exports in 2009, down from a high of 87% in 2002. Similarly, one-half of Canada's total imports in 2009 came from the US, down from a high of 68% in 1998.

Ontario is the largest provincial exporter to the US, followed by Alberta and Quebec. In 2009, Ontario exported \$119 billion in goods to the US compared to \$59 billion for Alberta and \$40 billion for Quebec.

Exports to the US from most provinces and territories have fallen over the past five years.

Figure 1

Merchandise Trade

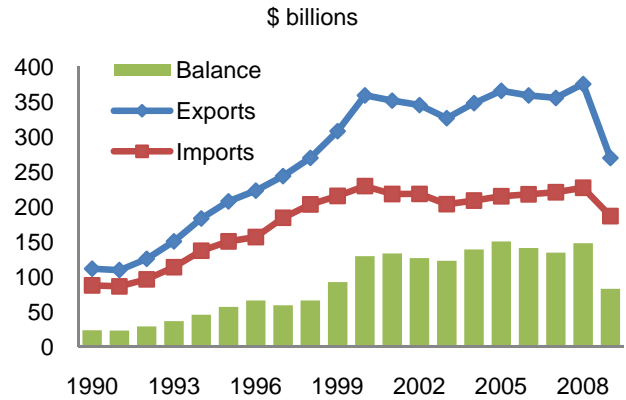


Figure 2

Importance to Canada

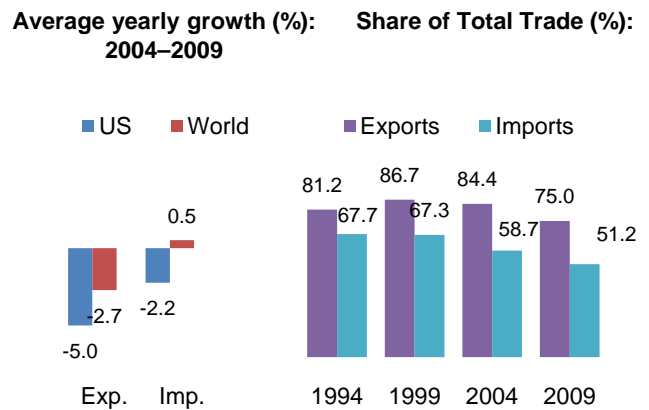
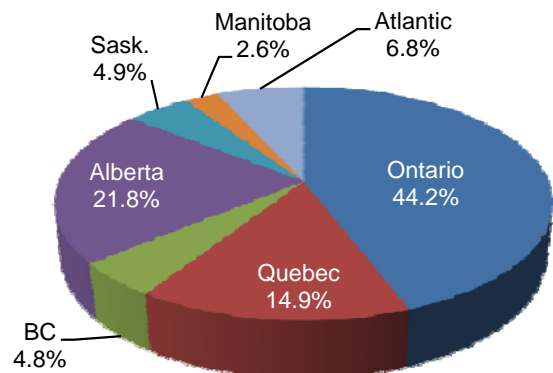


Figure 3

Exports by Province – 2009



All figures were prepared by the author using annual data from Statistics Canada. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Products

Canadian exports to the US are relatively evenly divided between resource-based goods and manufactured products. Manufactured goods made up about 54% of exports in 2009 and resource-based goods accounted for 46%.

In terms of individual product types, the category of oil and gas, and motor vehicle parts are Canada's most important exports to the US. However, while exports of oil and gas are growing, sales of vehicle parts have fallen by 53% over the past five years. Gold, silver and pharmaceuticals have all seen considerable export growth since 2004.

Imports from the US are more heavily concentrated in manufactured goods, which made up more than two-thirds of total imports in 2009. Canada's leading imports from the US are various types of vehicle parts, as well as some natural gas and refined petroleum.

Canada is a large net exporter of energy to the US. It also holds a surplus in other resource-based goods and transportation equipment, although net exports of the latter are lower than in 2004.

Canada has a trade deficit with the US in machinery and equipment and in other manufactured goods.

Figure 4

Major Export Products

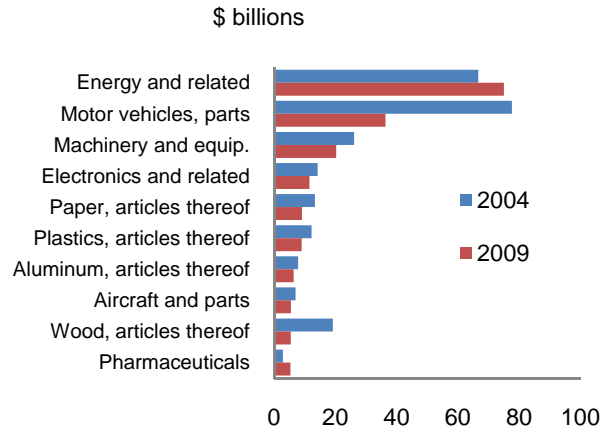


Figure 5

Major Import Products

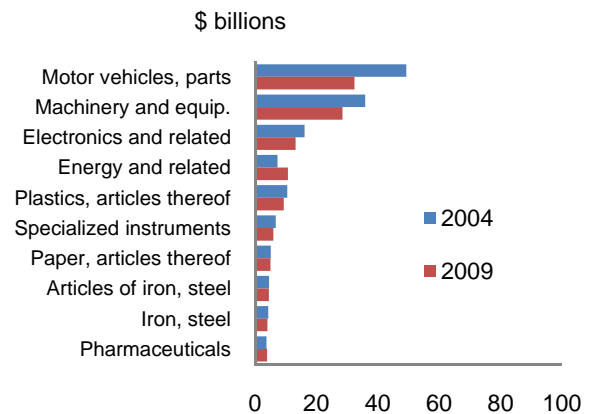
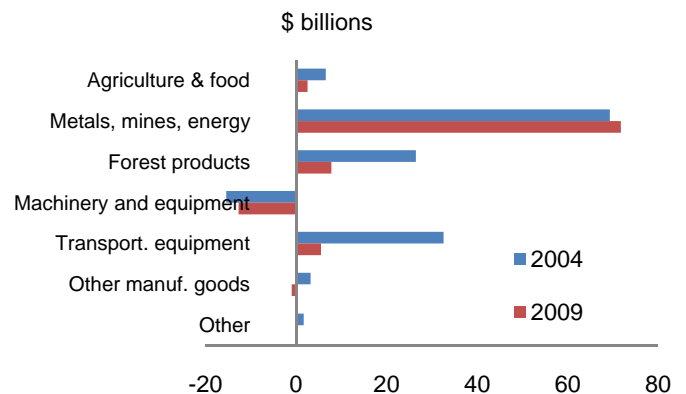


Figure 6

Balance by Category



All figures were prepared by the author using annual data from Statistics Canada. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Services and Investment

Canada is a net importer of services from the United States. In 2008, the most recent year for which data are available, Canadian services exports totalled \$37.8 billion, while services imports were valued at \$53.5 billion. Services imports have grown steadily over the past decade, while services exports have remained largely unchanged since 2000.

Commercial services make up the largest share of services trade between Canada and the US at about 57% in 2008. Canada has a trade deficit in all three major categories of services trade, the largest being in travel services. Considerations in this regard include the strong relative value of the Canadian dollar, which has increased Canadian travel to the US since the late 1990s, and contributed to a decline in travel to Canada from the US.

The United States is Canada's largest source of, and destination for, foreign direct investment (FDI). Canadian direct investment in the US reached \$261 billion in 2009, accounting for 44% of Canada's total stock of direct investment abroad in that year. The total value of US investment in Canada was even larger, at \$288 billion in 2009. The US is the source of 52% of FDI in Canada.

The US is falling in importance as an investment partner for Canada. An increasing share of Canadian FDI is going to Caribbean countries, while a growing percentage of inbound FDI is coming from Europe.

Figure 7

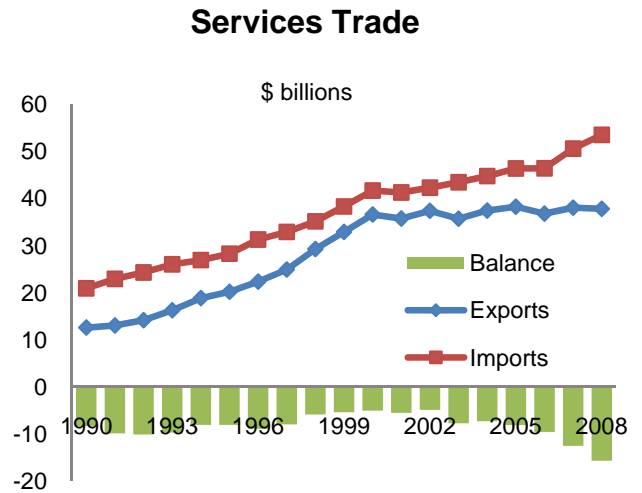


Figure 8

Services Trade by Type – 2008

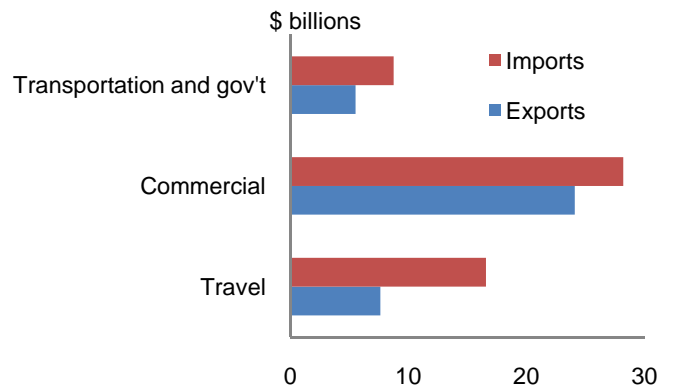
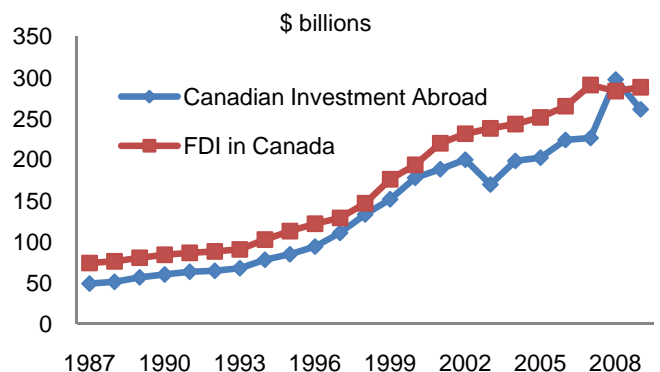


Figure 9

Foreign Direct Investment



All figures were prepared by the author using annual data from Statistics Canada. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.