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TRADE AND INVESTMENT



Canadian Trade and Investment Activity: Canada–United Kingdom

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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 Kingdom (UK) is one of Canada's largest trading partners. It is Canada's second-largest export destination in the world and its sixth-largest source of imports.

In 2009, Canada's bilateral merchandise trade with the UK totalled \$21.5 billion, consisting of \$12.1 billion in Canadian exports to, and \$9.4 billion in imports from, the UK.

The UK is growing in importance as an export destination for Canada. Exports to the UK in 2009 were twice as high as in 2003, despite a 7% decline over 2008 levels.

Although not as rapid as export growth, Canada saw consistent growth in imports from the UK from 2003 to 2008. In 2009, however, imports fell sharply. While total Canadian imports that year fell by 16% compared to 2008 levels, those from the UK fell by 25%.

Ontario dominates all other provinces in terms of exports to the UK. In 2009, Ontario exported \$7.8 billion in goods to the UK compared to \$1.8 billion for Quebec, the next-largest provincial exporter.

Saskatchewan has seen the fastest growth in exports to the UK from 2004 to 2009.

Figure 1



Figure 2

Importance to Canada

Average yearly growth (%): 2004–2009 **Share of Total Trade (%):**

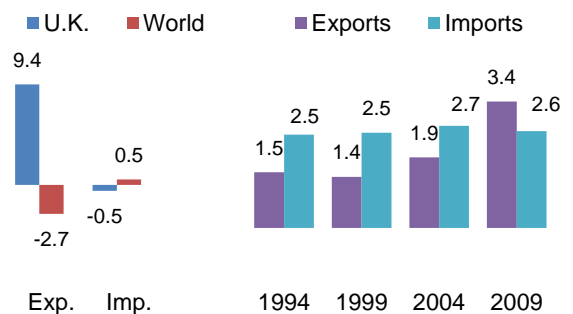
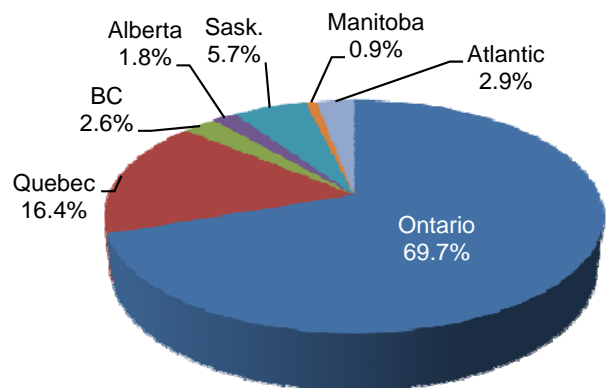


Figure 3

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

Just over 69% of Canadian exports to the UK in 2009 were comprised of resource-based goods, led by, gold and, to a lesser extent, diamonds. Gold exports, valued at \$5.4 billion in 2009, accounted for 45% of Canada's total exports to the UK that year.

Gold has also been the primary driver of export growth to the UK over the past ten years. Since 1999, gold has accounted for about 80% of the growth in total exports to the UK. In addition to gold and diamonds, other important export products include uranium and aircraft.

Manufactured goods accounted for 58% of Canada's imports from the UK in 2009. Crude oil has long been Canada's single largest import product from the UK. Other significant import products include aircraft engines and other parts, and medicaments.

On the strength of gold exports, Canada is a large net exporter of extractive industry products to the UK. It is a small net exporter of forest products, and agricultural trade between the two countries is almost perfectly balanced.

Canada is a net importer of manufactured goods from the UK, although its trade deficit in those product categories has fallen since 2004.

Figure 4

Major Export Products

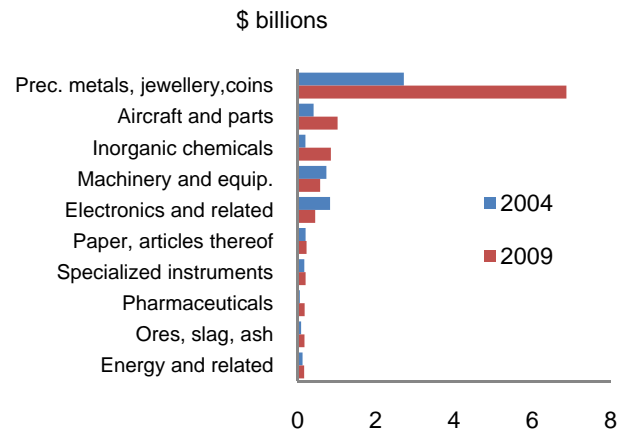


Figure 5

Major Import Products

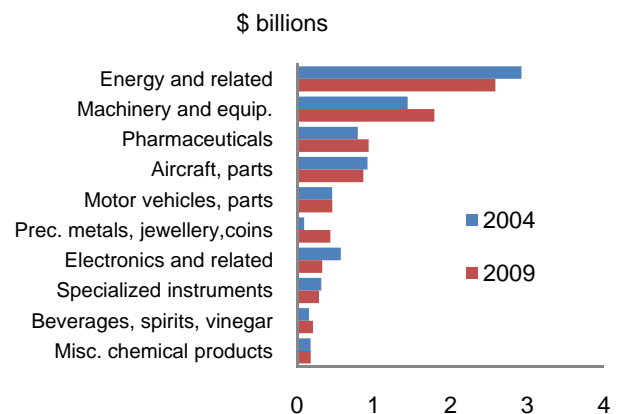
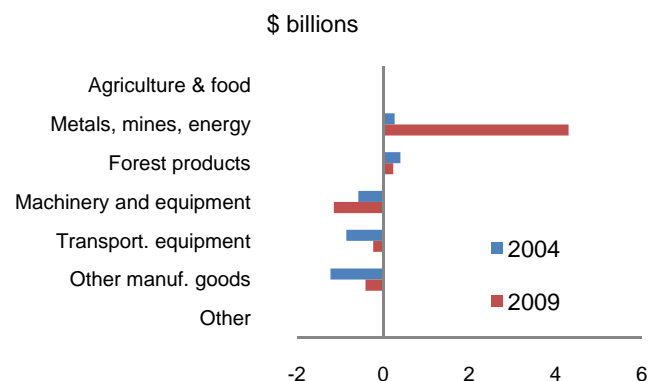


Figure 6

Balance by Category



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The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Services and Investment

Although it trails the US by a considerable margin, the UK is Canada's second most important trading partner in services in the world. Services trade between the two countries was essentially balanced in 2008, the most recent year for which data are available. Services exports to the UK totalled \$4.6 billion in that year, while services imports were \$4.7 billion. Services trade between the two countries has grown steadily since the early 1990s.

Commercial services make up the largest share of services trade between Canada and the UK – about 42% in 2008. For Canada, commercial services are the largest category of services exports to the UK, while imports are relatively evenly distributed across the three major categories of services trade.

The UK is Canada's second-largest source of, and destination for, foreign direct investment (FDI). Canadian direct investment in the UK reached \$65.4 billion in 2009, accounting for 11% of Canada's total stock of direct investment abroad that year. The total value of UK investment in Canada was slightly lower, at \$63.5 billion in 2009. The UK is the source of about 12% of FDI into Canada.

The value of UK FDI in Canada is likely to rise considerably in the near future because of recent and planned investments by British interests in the Alberta oil sands.

Figure 7

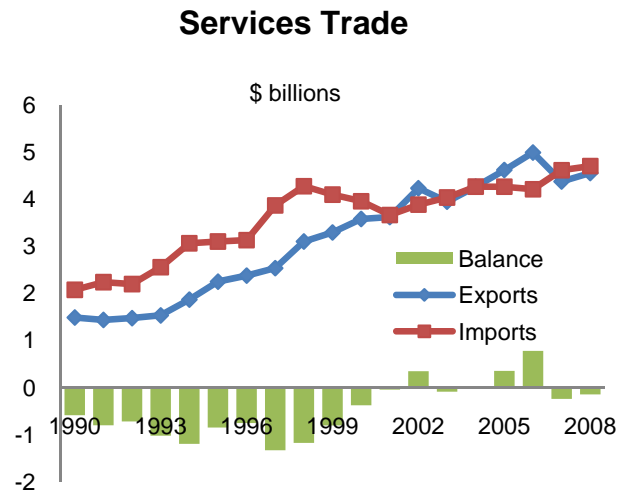


Figure 8

Services Trade by Type – 2008

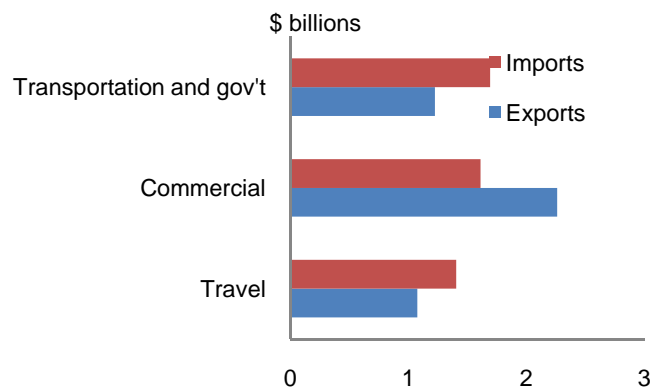


Figure 9

Foreign Direct Investment

