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Canadian Trade and Investment Activity: Canada–Mexico

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***Canadian Trade and Investment Activity:
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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

In 2009, Canada's bilateral merchandise trade with Mexico totalled \$21.3 billion, consisting of \$4.8 billion in Canadian exports to, and \$16.5 billion in imports from, Mexico.

Mexico is one of Canada's most important trading partners in the world. It is Canada's largest export market in Latin America and fifth-largest in the world. Mexico is also Canada's third most important source of imports worldwide and the largest source in Latin America.

Since 2004, growth in Canada's trade with Mexico has exceeded growth in Canada's trade worldwide, particularly on the export side. In addition, the Canada-Mexico trade relationship has withstood the financial and economic crisis better than many of Canada's other bilateral trade relationships. The total value of exports to Mexico fell by 18% in 2009 compared to 26% globally. In respect of imports, the 8% drop in imports from Mexico was smaller than the 16% drop in imports from around the world.

At the provincial level, Ontario is the largest exporter to Mexico, followed by Alberta and Quebec. In 2009, Ontario exported \$2.3 billion in goods to Mexico compared to \$1.1 billion for Alberta and \$613 million for Quebec.

Prince Edward Island and New Brunswick are among the fastest-growing provincial exporters to Mexico.

Figure 1

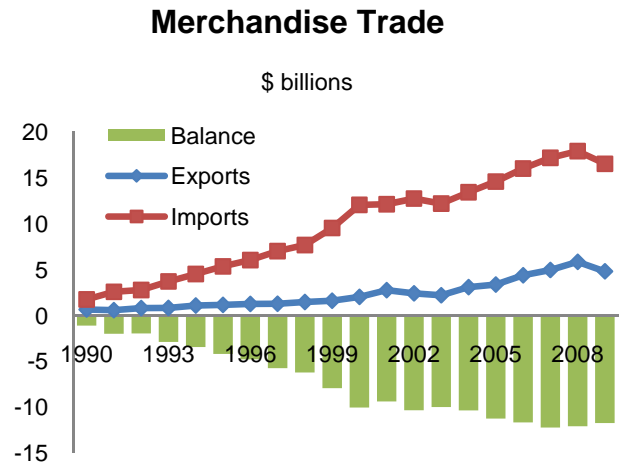


Figure 2

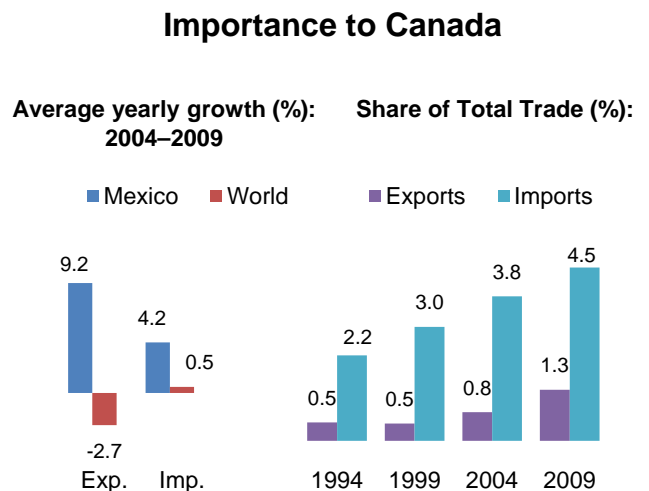
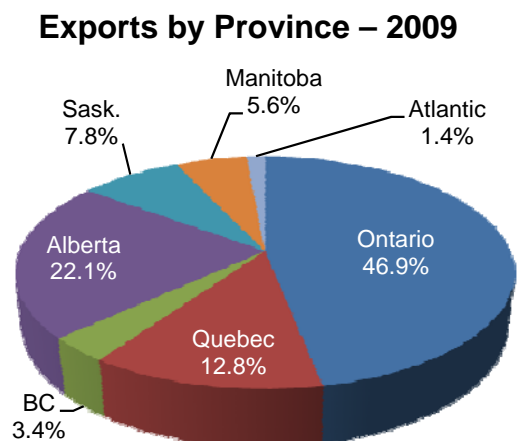


Figure 3



Products

Manufactured goods accounted for the bulk of trade between Canada and Mexico in 2009, representing 61% of Canadian exports to Mexico and more than 85% of imports from Mexico.

The composition of Canadian exports to Mexico has changed significantly since 2004. That year, resource-based goods made up 56% of Canadian exports to Mexico and manufactured goods represented 44%.

Although manufactured goods overall make up the majority of Canadian exports to Mexico, many of its largest specific export products are in agriculture and natural resources. Canola seeds was the single largest export product to Mexico in 2009, followed by certain types of computer processors, and wheat.

Manufactured goods dominate Canadian imports from Mexico. Televisions, vehicle parts, mobile telephones, computer processors and crude oil were among Canada's leading import products in 2009.

Canada's trade in resource-based goods with Mexico is roughly in balance, with the total value of exports comparable to the value of imports in broad product categories in 2009. However, Canada holds a trade deficit in manufactured goods.

Figure 4

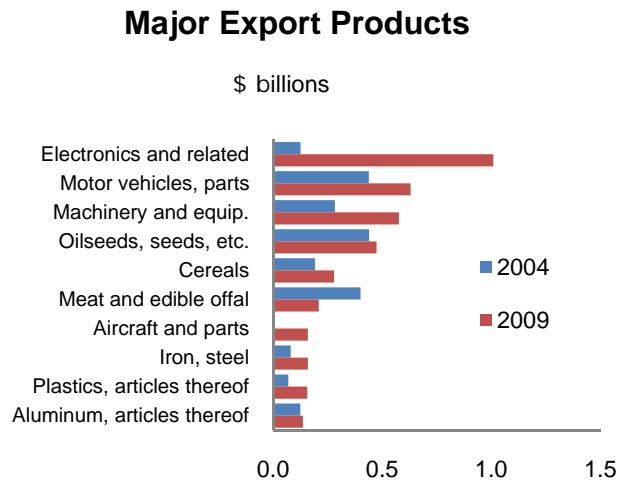


Figure 5

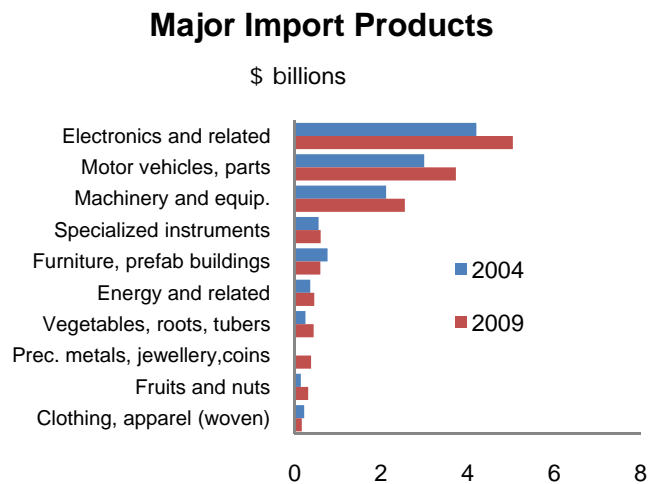
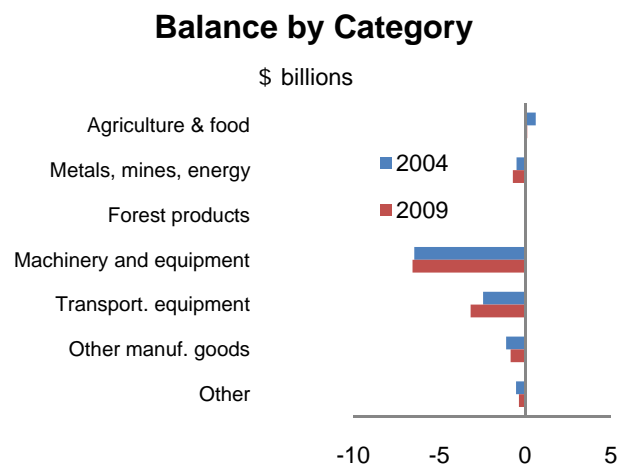


Figure 6



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

As with merchandise trade, Canada is a net importer of services from Mexico. In 2007, the most recent year for which data are available, Canadian services exports totalled \$677 million, while services imports were valued at more than \$1.4 billion. Services imports have increased steadily throughout the past decade, while exports have remained largely unchanged since 2002.

Canada's trade deficit in services with Mexico can be accounted for entirely by travel services – Mexico is a more popular vacation destination for Canadians than vice versa. In 2007, Canadians purchased \$1.2 billion in travel services from Mexico, compared to \$321 million in purchases by Mexicans in respect of Canada. Canada holds a small surplus in commercial services trade balances, as well as in transportation and government services.

Canada has a significant investment presence in Mexico. Canadian foreign direct investment (FDI) in Mexico reached \$4.9 billion in 2009, making it the 17th-largest international destination for Canadian investors. Although volatile, the stock of Canadian investment in Mexico has, on the whole, grown since the North American Free Trade Agreement came into effect.

At present, Mexico is not a significant source of FDI in Canada. In 2009, the stock of FDI from Mexico was valued at \$259 million. Mexican FDI in Canada has been stable since 2006.

Figure 7

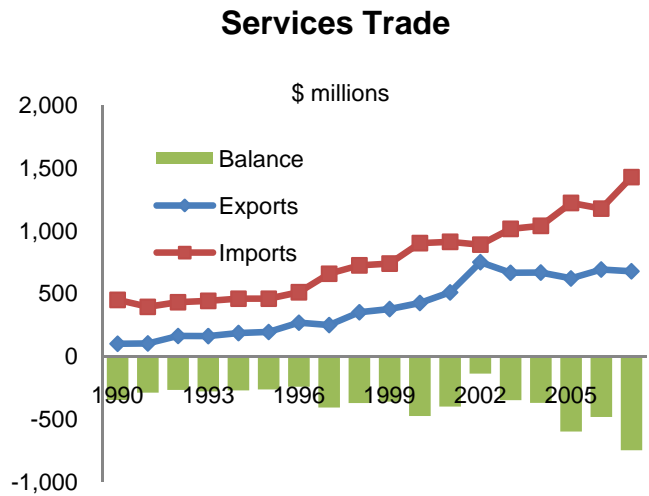


Figure 8

Services Trade by Type – 2007

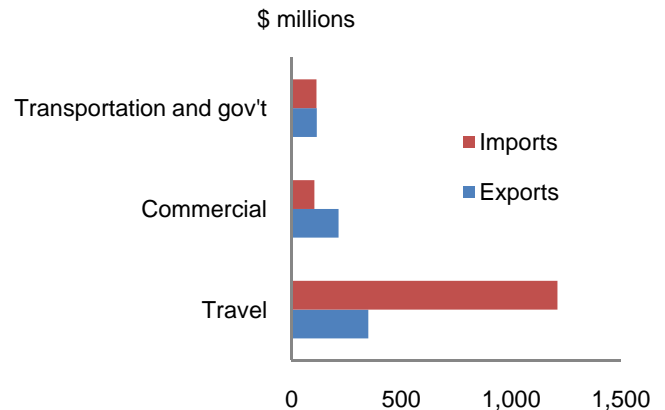
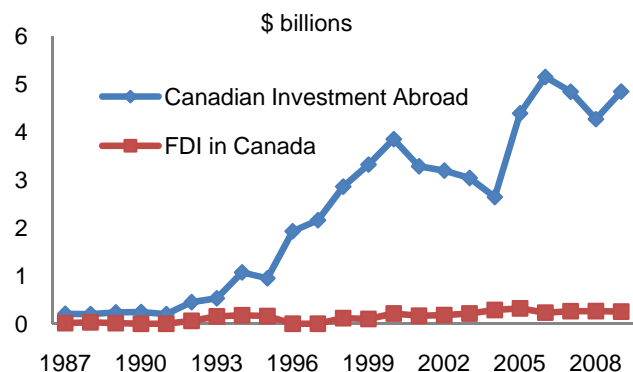


Figure 9

Foreign Direct Investment



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