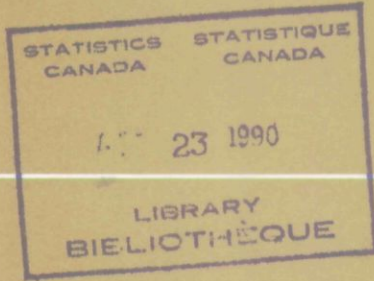




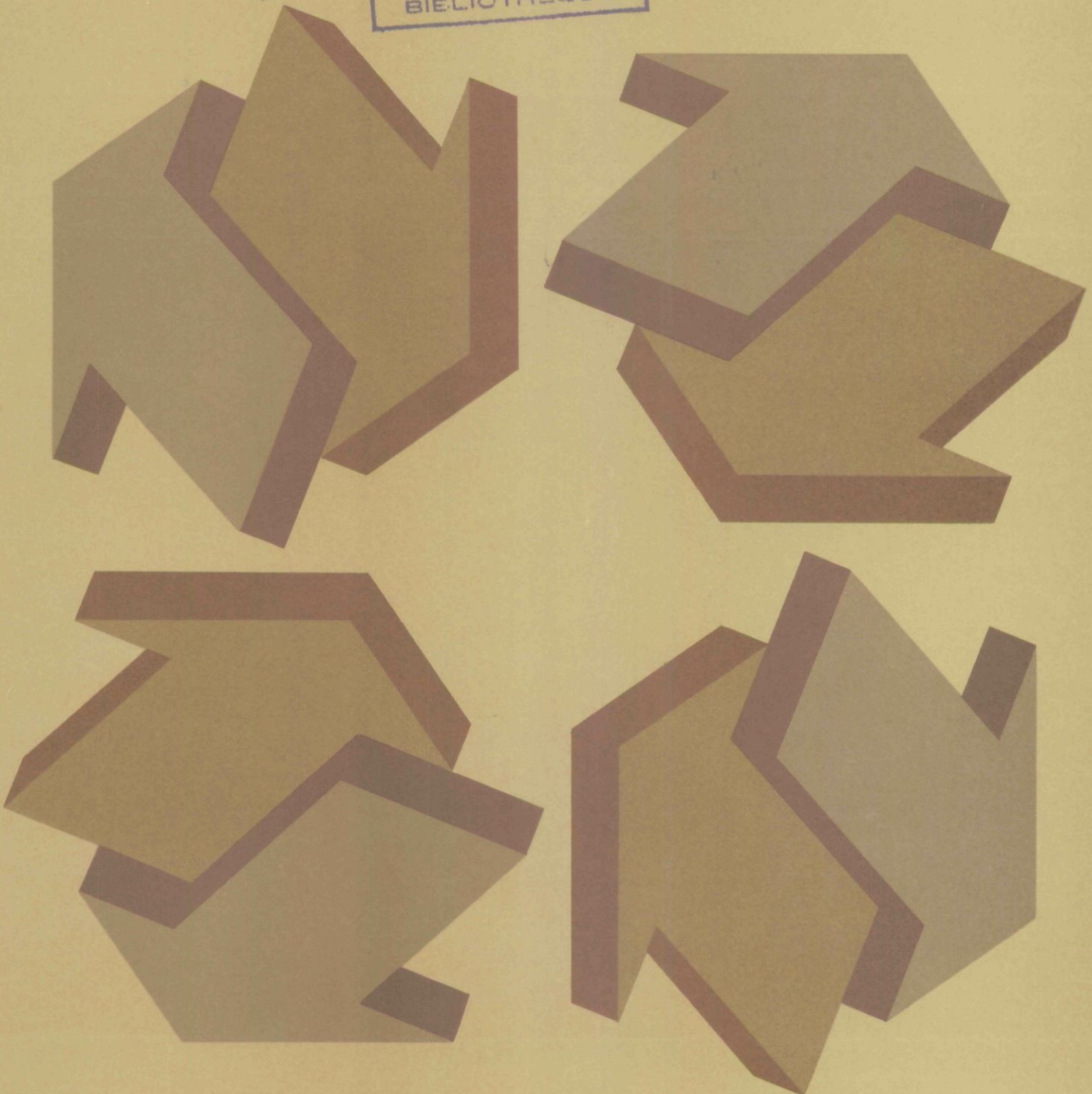
Preliminary Statement of Canadian International Trade

(H.S. Based)

February 1990



Not for release before 8:30 a.m. E.S.T.
Wednesday, April 18, 1990



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Statistics Canada
International Trade Division

Preliminary Statement of Canadian International Trade (H.S. Based)

February 1990

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of Industry, Science and Technology

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April 1990

Price: Canada, \$10.00, \$100.00 a year

Other Countries, \$12.00, \$120.00 a year

Payment to be made in Canadian funds or equivalent

Catalogue 65-001P, Vol. 6, No. 2

ISSN 0828-1998

Ottawa

NOTE TO READERS

Statistics Canada, the United States Bureau of the Census and the Customs Agencies of Canada and the United States signed a Memorandum of Understanding to exchange import data. Starting with January 1990 data, Statistics Canada is no longer publishing statistics on exports to the United States based on Canadian export documents. Instead, it is relying on American imports from Canada as compiled by the United States Bureau of the Census. Likewise, the United States Bureau of the Census has also replaced its exports to Canada statistics with Canadian imports from the United States data as compiled by Statistics Canada. This exchange provides a more reliable measure of the bilateral trade and reduces the reporting burden on exporters and brokers in both countries.

In order to meet the January 1990 implementation date for this bilateral exchange, both countries agreed on the conceptual and definitional frameworks governing the production of the other's import data as they relate to their respective export's series. This led to several changes which affected the coverage and data processing demarcations as compared to 1988 and 1989 published data. The differences are highlighted for our readers' convenience in the exports and imports monthly and quarterly publications (Catalogue Nos. 65-004, 65-007, 65-003 and 65-006).

As a result of the data exchange, users of Canadian export data (on a Customs basis) will observe higher values for most of the commodity categories concerning the United States. The changes are attributable to:

- **Improved coverage**, since import documents are subject to more rigorous control than exports due to the management of tariffs and the enforcement of trade agreements. This value has been estimated at 3.1% and 4.9% of total export trade to the United States in 1988 and 1989 respectively.
- **Valuation of products exported to the United States on a F.O.B. port of exit basis**, as compared to a F.O.B. place of lading basis prior to 1990. Thus Canadian exports to all countries are now on the same basis. The valuation change has resulted in an increase of 2% to 3% in the overall export trade total.
- **Inclusion of the U.S. Virgin Islands and Puerto Rico with Canadian/United States trade**. These territories were published as separate entities prior to 1990. The value of merchandise exported to these regions was \$256 million and \$206 million in 1988 and 1989 respectively.

In addition to the above adjustments, users will find micro level differences which originate from the use of a new source of data (i.e. interpretation of commodity classifications, data processing definitions, etc.). The statistical agencies monitor these issues closely through quality assurance programs designed to ensure continued accuracy and reliability in the trade data.

Data Reconciliation

Reconciled trade data for 1989 between Canada and the United States were published in the December issue of the *Preliminary Statement of Canadian International Trade*, catalogue 65-001P. The reconciliation program between Canada and the United States was ongoing for a number of years, and it served to adjust for undercoverage of exports along with other adjustments. Without the program, the trade balances as published by Statistics Canada and the United States Bureau of the Census would not have been comparable.

Effective with the data exchange of January 1990, this reconciliation is no longer necessary. Nevertheless, the use of one country's imports to produce the other country's exports (on a Customs basis) requires several statistical alignments in order to compare the two series. In addition to the currency exchange rate, Canadian total export trade is valued F.O.B. port of export and is compiled on a country of export basis while U.S. imports are valued F.O.B. plant and are aggregated on a country of origin basis. Readers should refer to Table 2A in this issue for detailed information highlighting the differences between the Canadian export and American import series. For information on conversion of Canadian imports from the United States to United States exports to Canada, please refer to *U.S. Department of Commerce News Release FT900* or contact the International Trade Division, Statistics Canada.

Confidentiality

The disclosure of Canadian trade statistics is governed by both the Customs Act and the Statistics Act. Commencing with January 1990, the disclosure of export statistics to the United States is subject to the provisions under the confidentiality regulations of the United States Bureau of the Census. Similarly, United States statistics on exports to Canada are governed by the Customs Act and the Statistics Act.

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For more detailed information on statistics, concepts and definitions, order the February 1990 issue of *Summary of Canadian International Trade (H.S. Based)* (cat. no. 65-001, \$17.30/\$173), available the first week of May 1990, or contact Gordon Blaney (613-951-9647), Trade Information Unit, or Jean-Pierre Simard (613-951-1711) (for analysis information), or Denis Pilon (613-951-4808) (for price index information), Trade Measures and Analysis Section, International Trade Division.

Current Account data which incorporate merchandise trade statistics, as well as data concerning trade in services and capital account movements, are available on a quarterly basis in *Canada's balance of international payments* (cat. no. 67-001).

Available on CANSIM: matrices 3633-3642, 3651, 3685, 3718, 3887 to 3913.

HIGHLIGHTS

- Exports rose in February for the second consecutive month, reaching a total of \$11.7 billion.
- Imports climbed \$489 million to a total of \$11.4 billion.
- Canada's trade surplus slid more than \$400 million to \$264 million.
- For the third consecutive month, the short-term export trend rose and the short-term import trend fell in January.
- Exports of automotive products had the greatest impact on the increase in total exports in February.
- Automotive parts imports rose sharply, registering a gain of \$406 million.

Monthly Summary

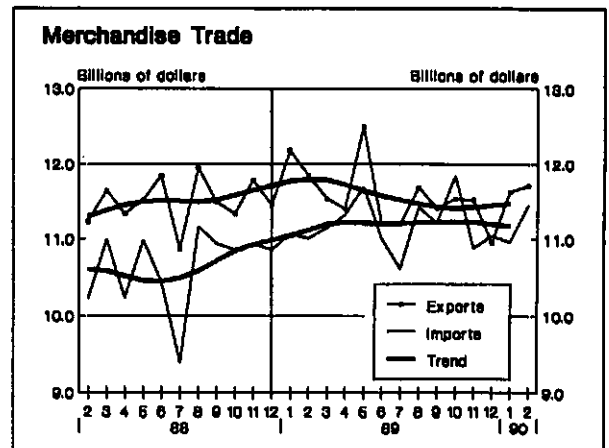
The increase in seasonally adjusted exports observed in January 1990 continued into February. Following the January increase of more than 6%, which brought total exports to \$11.6 billion, February exports climbed to \$11.7 billion at a substantially weaker rate of 0.7%. Moderate growth in some sectors of the American economy offered Canada a market which continued to expand, and which in February absorbed over \$8.6 billion dollars worth of goods exported from Canada.

Exports of automotive products registered the largest increase, rising \$300 million in February, thus reversing the decline posted in January of almost \$475 million. The February surge in passenger car exports coincided with the announcement by a number of the large manufacturers of their intention to offer sales incentives with a view to stimulating new vehicle purchases.

As well, exports of precious metals, a rather volatile series, rose sharply in February. Increases in exports of machinery and equipment registered in January and February are in line with the most recent forecasts of capital expenditure increases in the United States for 1990. The Canadian dollar, which rose nearly 4% in 1989 with respect to the American dollar, depreciated in February for the second consecutive month.

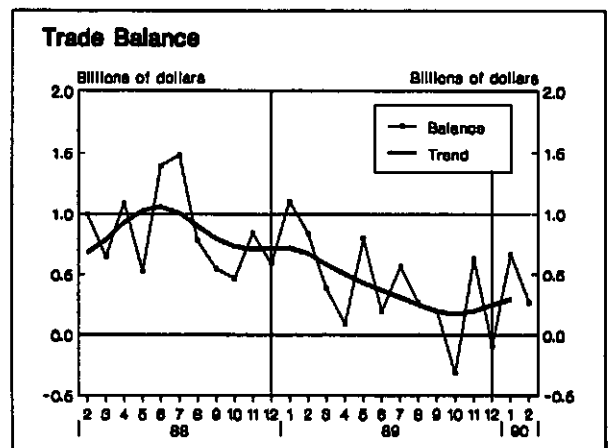
February imports totalled \$11.4 billion, an increase of 4.5% from January. The slight drop in imports in January (-0.8%) followed a 1.5% increase in December 1989. The short-term trend for imports continued to weaken in January for the third consecutive month.

Motor vehicle parts imports were the single most important factor in the growth of imports in February. Although a number of Canadian automobile plants shut down temporarily in February, the number of vehicles produced was significantly greater than in the previous month. It can be noted that with large manufacturers keeping minimum inventory levels of parts, large fluctuations in passenger vehicle production also tend to be reflected in parts imports used in vehicle production.



The rise in machinery and equipment imports reflects the relatively strong investment forecast for 1990.

Thus, Canada's trade balance in February posted a \$264 million surplus, down more than \$400 million from the \$669 million surplus registered in January. The trade balance with Japan, which fell from a slight surplus (\$70 million) in January to a deficit (\$154 million) in February, was a contributing factor to this decline.



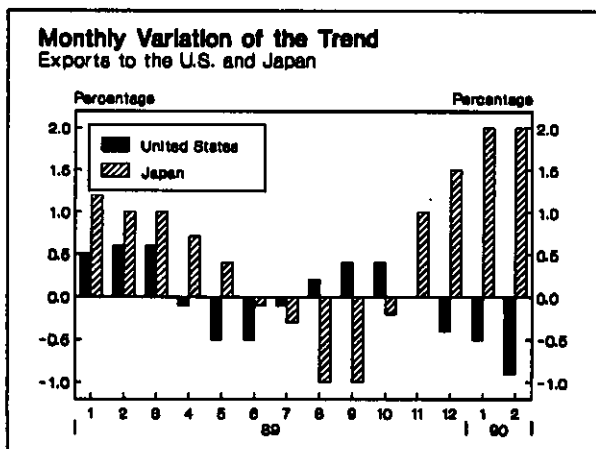
Short-Term Trend

The short-term trend is a weighted moving average of thirteen terms, and it is therefore possible that the seasonally-adjusted series may not point in the same direction as the short-term trend. In addition, the trend for the last month is not presented and does not form part of the analysis since it frequently undergoes extensive change with the inclusion of data for the following month. (For further details on the methodology used to calculate the short-term trend, please refer to the January 1989 issue of this bulletin.)

Exports

The short-term trend for exports increased in January for the third consecutive month. The growth rate of 2% was unchanged from November and December 1989.

- The trend for exports to the United States, Japan, "Other O.E.C.D. countries" and "Other countries" rose in January, whereas the trend for exports to the E.E.C. continued to slide. However, the January growth rate for the export trend to the United States remained marginal at 0.2%.



- The trend for exports of machinery and equipment, up 3.6% from December, is the most important contributing factor to the overall growth observed for January. The trend for exports of industrial and agricultural machinery, aircraft and other transpor-

tation equipment, and other machinery and equipment rose by 3.1%, 5.0% and 3.2% respectively.

- The trend for exports of food climbed 5.3% in January, a slight weakening from the December (5.4%) and November (5.5%) 1989 data. The trend for exports of wheat continued to be strong (+8.2%), at a rate below those observed between August and December 1989.
- The trend for exports of passenger automobiles dropped by 4.4% in January, continuing a four-month downward trend. This reflects a slowdown in the Canadian automobile manufacturing industry as a whole. The trend for exports of automotive parts, which has been sliding since February 1989, fell back a further 4.0% in January. The downward trend for exports of trucks continued in January, at an accelerated rate of 1.7%.

Imports

The short-term trend for imports was down in January for a third consecutive month, dropping 0.2%, at a slightly lower rate than that registered for December 1989 (0.3%).

- The receding trends for imports from the United States and "Other countries" continued at 0.5% and 2.0% respectively in January, while increases were posted in the trends for imports from "Other O.E.C.D. countries" (1.2%), the E.E.C. (1.5%) and Japan (2.0%).
- The drop in the trend for total imports is mainly attributable to imports of automotive parts. The declining pattern observed in October (2.1%), November (3.9%) and December (4.7%), persisted into January, falling by 4.5%. Decreases were also registered in the trend for imports of trucks (1.1%) and other motor vehicles (0.5%).
- The trend for imports of energy products continued to rise in January for the fourth consecutive month. Imports of crude petroleum alone gained 3.0%, down marginally from the 3.1% rate observed in November and December.
- The trend for imports of aircraft climbed 4.1% in January, reinforcing the increases registered in October (2.2%), November (5.5%) and December (5.1%).

Detailed Analysis by Commodities and Trading Partners

The use of American imports from Canada as a measure of Canadian exports to the United States has improved the coverage of Canadian exports on a customs basis. Prior to January 1990, balance of payment adjustments were used to reconcile statistics between Canada and the United States, thus eliminating differences at the total level. The use of American data beginning in January 1990 has eliminated the problem of undercoverage of Canadian exports within each commodity grouping. However, because of the change in methodology, caution should be exercised in interpreting the movements within certain individual export series between December 1989 and January 1990.

Commodities

Seasonally adjusted merchandise exports increased by \$84 million in February, to reach \$11.7 billion. The modest February increase is the result of opposing movements in different commodity groupings.

Exports of automotive products rallied in February, registering an increase of more than \$325 million over the preceding month. The turnaround offset the January slide of nearly \$475 million. In spite of this substantial increase, exports of automotive products remain below the monthly average observed in 1989. Exports of passenger vehicles alone rose by \$290 million to reach a total of \$1.2 billion, while exports of automotive parts rose by \$74 million to total \$731 million.

A \$179 million increase in precious metal exports raised their total from \$174 million in January to \$353 million in February, a new high for this commodity

group. The 1989 monthly average for precious metal exports was approximately \$236 million.

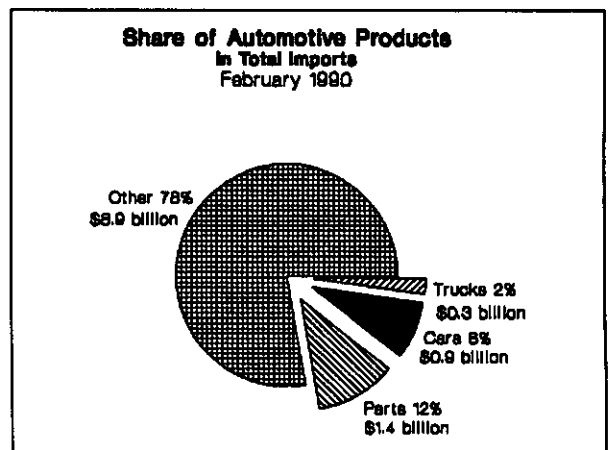
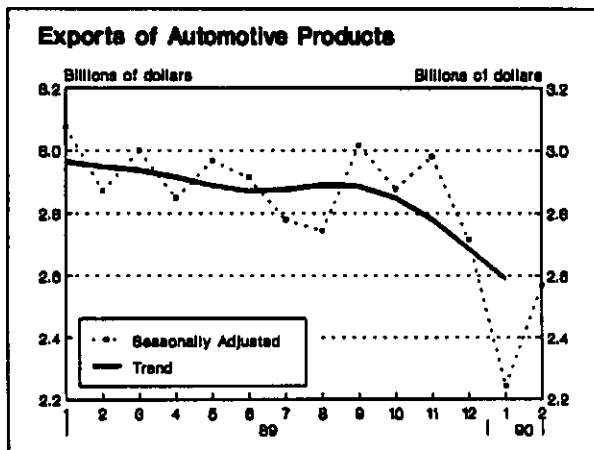
Exports of industrial and agricultural machinery, stagnant at the end of 1989, began to grow early in 1990. Following a January increase of \$62 million, these exports posted a further gain of \$44 million in February. Exports of office machines and equipment, which increased strongly in January (+ \$104 million) remained stable in February.

The February increase of \$38 million in lumber exports coincides with the announcement by the United States of a second consecutive rise in construction expenditure. The increase brought total lumber exports up to \$486 million.

The sharpest drop in exports was registered in energy products, which declined by \$151 million. Exports of natural gas and crude petroleum alone plunged \$80 million and \$34 million respectively compared to the high January levels, when companies rebuilt their reserves depleted by the unusually cold temperatures in December.

February imports totalled \$11.4 billion, an increase of \$489 million over January. Although many commodity groups posted increases, the upswing in total imports is largely attributable to the automotive products sector.

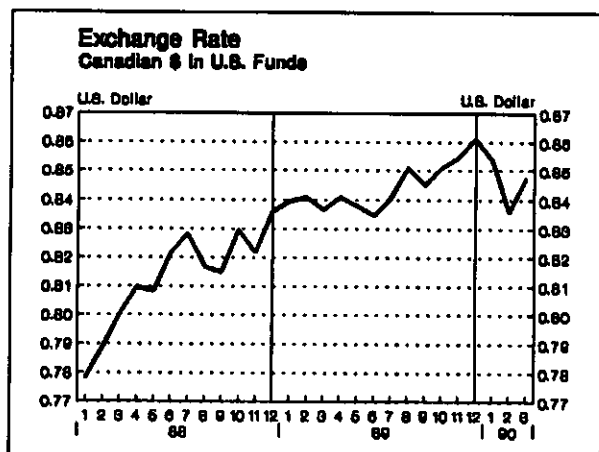
Imports of automotive products rose by \$500 million. Imports of automotive parts posted the largest gain, increasing by \$406 million to total \$1.4 billion. January imports of parts fell to \$950 million, their lowest level since July 1988. This softening coincides with the temporary closing of a number of plants in January. Imports of passenger automobiles, after declining by \$280 million in January, rose by \$91 million in February.



Crude petroleum imports totalled \$386 million in February, recording an increase of \$104 million compared to the previous month. In January 1990 and December 1989, crude petroleum imports remained below the \$300 million level, after reaching a record peak of over \$400 million in November.

Imports of machinery and equipment continued to be relatively firm in February, rising by \$73 million to a total of \$3.7 billion. This increase, the second this year, seems to support the most recent statistics on investment intentions for Canada. New investment in machinery and equipment has been forecasted to increase by 10.0% in 1990.

Imports of petroleum and coal products, down \$73 million from January, registered the sharpest drop in February. The decline brings imports of these commodities back to 1989 levels. In January imports of petroleum and coal products reached \$221 million, a new high.



Trading Partners

Following an increase of more than half a billion in January, February exports to the United States fell to a total of \$8.6 billion, a decline of \$12 million from the January total.

Exports to Japan and "Other countries" fell by \$13 million and \$12 million respectively. Conversely, exports to "Other O.E.C.D. countries" and the E.E.C. rose by \$88 million and \$32 million respectively.

Imports from the United States totalled \$7.8 billion in February, an increase of \$353 million. January imports from the United States fell by \$476 million.

Imports also increased from Japan (\$211 million), the E.E.C. (\$79 million) and "Other O.E.C.D. countries" (\$31 million).

On the other hand, imports from "Other countries" decreased by \$184 million to total \$1.1 billion.

Canada's trade surplus with Japan, positive last month (\$70 million), reversed to a \$154 million deficit in February as the result of a strong increase in imports from this country.

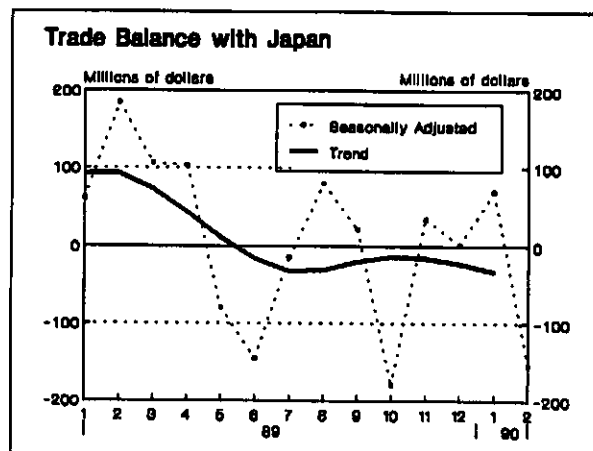


Table 1
Merchandise Trade of Canada
 February 1990
 Balance of Payments Basis

	Exports (1)	Imports (1)	Exports Raw	Imports Raw	Exports S.A.(3)	Imports S.A.(3)	Balance S.A.(3)	Period-to-period change(2)		
								Exports S.A.(3)	Imports S.A.(3)	Balance S.A.(3)
	\$ millions							%	%	\$ millions
1984	112,384	95,460	111,330	91,493	111,330	91,493	19,838	22.9	25.2	2,381
1985	119,474	104,355	119,061	102,669	119,061	102,669	16,392	6.9	12.2	-3,446
1986	120,670	112,511	119,865	110,079	119,865	110,079	9,787	0.7	7.2	-6,606
1987	125,087	116,239	126,120	114,767	126,120	114,767	11,353	5.2	4.3	1,567
1988	138,150	131,664	137,294	127,486	137,294	127,486	9,809	8.9	11.1	-1,545
1989	137,284	134,904	138,934	134,255	138,934	134,255	4,679	1.2	5.3	-5,130
1988										
First quarter	34,172	35,338	33,397	32,530	33,747	31,681	2,066	1.8	2.7	-224
Second quarter	36,399	33,711	36,142	32,957	34,684	31,663	3,022	2.8	-0.1	956
Third quarter	32,221	30,518	32,392	30,026	34,305	31,487	2,817	-1.1	-0.6	-205
Fourth quarter	35,358	32,097	35,363	31,972	34,558	32,655	1,904	0.7	3.7	-914
1989										
First quarter	34,411	33,741	35,208	33,515	35,553	33,218	2,335	2.9	1.7	432
Second quarter	36,052	36,400	36,491	36,006	35,092	34,006	1,086	-1.3	2.4	-1,250
Third quarter	32,084	31,416	32,250	31,526	34,285	33,258	1,027	-2.3	-2.2	-58
Fourth quarter	34,737	33,346	34,985	33,208	34,004	33,774	231	-0.8	1.6	-797
1989										
January	11,295	10,582	11,668	10,573	12,176	11,067	1,109	6.3	1.9	517
February	11,162	11,006	11,466	10,900	11,845	11,005	841	-2.7	-0.6	-269
March	11,955	12,153	12,074	12,043	11,531	11,146	385	-2.7	1.3	-456
April	11,615	11,894	11,630	11,775	11,398	11,309	90	-1.2	1.5	-296
May	12,456	12,602	12,976	12,443	12,492	11,690	803	9.6	3.4	713
June	11,981	11,904	11,886	11,789	11,202	11,008	194	-10.3	-5.8	-609
July	9,820	9,500	9,937	9,579	11,194	10,624	569	-0.1	-3.5	376
August	10,756	11,070	10,996	11,034	11,686	11,419	267	4.4	7.5	-302
September	11,509	10,847	11,317	10,912	11,406	11,215	191	-2.4	-1.8	-76
October	11,876	12,199	12,058	11,976	11,532	11,845	-314	1.1	5.6	-505
November	12,284	11,379	12,165	11,302	11,519	10,884	636	-0.1	-8.1	949
December	10,577	9,768	10,763	9,930	10,954	11,045	-91	-4.9	1.5	-727
1990										
January	11,387	10,662	11,113	10,545	11,625	10,956	669	6.1	-0.8	761
February	11,376	11,192	11,235	11,271	11,709	11,445	264	0.7	4.5	-405
Year-to-date										
1989	22,457	21,588	23,134	21,472	24,022	22,071	1,950	8.7	6.7	532
1990	22,763	21,854	22,348	21,816	23,334	22,401	934	-2.9	1.5	-1,016

(1) Customs Basis

(2) Change over previous period

(3) Seasonally Adjusted.

Note: Due to rounding, monthly data may not add up to quarterly data and quarterly data may not add up to annual data.

Table 2
Merchandise Trade by Principal Trading Areas
 February 1990
 Seasonally Adjusted, Balance of Payments Basis

	Jan.	Feb.	Period-to-period change				Year-to-date Total	Change over previous year	
			Jan.	Feb.	Jan.	Feb.		%	%
	\$ millions		%	%	\$ millions		\$ millions	%	\$ millions
Exports to:									
United States	8,640.7	8,629.1	6.2	-0.1	502.7	-11.6	17,269.8	-2.9	-513.9
United Kingdom	247.0	317.3	-8.1	28.5	-21.8	70.3	564.3	0.3	1.8
E.E.C. 86 excl. U.K.	597.3	558.9	-7.5	-6.4	-48.5	-38.4	1,156.3	-11.7	-152.9
Japan	700.1	687.2	3.1	-1.8	20.8	-12.9	1,387.3	-13.3	-212.2
Other O.E.C.D. 86 *	288.1	375.9	-8.6	30.5	-27.2	87.8	664.0	27.9	144.9
Other countries	1,152.0	1,140.5	27.1	-1.0	245.7	-11.5	2,292.5	2.0	44.9
Total	11,625.2	11,708.9	6.1	0.7	671.6	83.7	23,334.1	-2.9	-687.5
Imports from:									
United States	7,453.2	7,805.8	-6.0	4.7	-476.4	352.6	15,259.0	-0.6	-94.3
United Kingdom	357.1	410.6	6.4	15.0	21.4	53.4	767.7	-4.0	-31.9
E.E.C. 86 excl. U.K.	889.9	915.5	9.3	2.9	75.4	25.6	1,805.5	9.5	156.3
Japan	629.9	840.8	-7.0	33.5	-47.2	210.9	1,470.7	8.7	117.8
Other O.E.C.D. 86 *	346.1	376.6	17.6	8.8	51.8	30.5	722.7	15.6	97.3
Other countries	1,279.5	1,095.4	28.8	-14.4	285.9	-184.1	2,374.9	3.7	83.9
Total	10,955.8	11,444.7	-0.8	4.5	-89.0	488.9	22,400.5	1.5	329.1
Balance with:									
United States	1,187.5	823.3			979.0	-364.2	2,010.7		-419.7
United Kingdom	-110.1	-93.2			-43.2	16.9	-203.3		33.9
E.E.C. 86 excl. U.K.	-292.6	-356.6			-124.0	-64.0	-649.2		-309.2
Japan	70.2	-153.6			68.0	-223.8	-83.4		-330.1
Other O.E.C.D. 86 *	-58.0	-0.7			-79.1	57.3	-58.7		47.6
Other countries	-127.5	45.1			-40.2	172.7	-82.4		-39.0
Total	669.4	264.2			760.6	-405.1	933.6		-1,016.6

* Series with no seasonality.

Table 2A
Statistical Alignment of Canadian Exports to the United States with United States Imports from Canada
 Customs Basis
 February 1990

	\$ millions
Total Canadian exports to United States	8,655.9
Freight and other related charges incurred in bringing the merchandise to the Canadian border	-233.9
Canadian re-exports of goods of foreign origin to United States	-442.7
United States imports of goods of Canadian origin from other countries	21.2
Re-exports of U.S. goods returned through Canada and designated as Canadian origin by the U. S.	295.7
Monthly average exchange rate (\$US/\$Cdn)	1.1965
Total United States imports from Canada (Country of Origin and F.O.B. place of lading Basis)	US \$6,933.7

Notes:

1. United States trade data includes Puerto Rico and Virgin Islands.
2. Totals may not add due to rounding.
3. Readers interested in aligning Canadian imports from United States to United States exports to Canada should refer to the *United States Department of Commerce News Release (FT900)* or contact International Trade Division Data Dissemination Sub-Section at 613-951-9647.

Table 3
Exports by Commodity Groupings
 February 1990
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Dec.	Jan.	Feb.	Year-to-date		Percentage change		
				Value	% change	Feb.'90/ Feb.'89	Feb.'89/ Feb.'88	Feb.'88/ Feb.'87
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	979.1	1,188.6	1,175.8	2,364.4	16.2	21.2	-6.6	12.7
Wheat	298.3	416.0	339.1	755.0	34.3	29.7	-24.3	71.4
Other agricultural and fishing products	680.7	772.6	836.8	1,609.4	9.2	18.5	1.0	-1.7
ENERGY PRODUCTS	933.1	1,073.9	922.9	1,996.8	6.6	2.4	-10.8	13.2
Crude petroleum *	389.7	365.5	331.7	697.2	7.3	10.7	-10.6	10.3
Natural gas	232.0	253.7	173.9	427.6	1.2	-21.0	-11.4	30.2
Other energy products	311.4	454.7	417.4	872.1	8.8	11.7	-10.5	5.8
FORESTRY PRODUCTS	1,785.6	1,856.1	1,863.3	3,719.4	3.1	2.6	-0.9	11.7
Lumber and sawmill products	641.4	579.4	597.2	1,176.7	-0.7	-1.2	-1.9	-2.8
Woodpulp and other wood products	553.8	582.7	537.7	1,120.4	-3.5	-8.0	13.1	22.8
Newsprint and other paper and paperboard	590.4	694.0	728.3	1,422.3	12.9	15.8	-10.4	18.2
INDUSTRIAL GOODS AND MATERIAL	2,123.1	2,522.4	2,417.8	4,940.2	-5.0	-6.5	12.3	27.1
Metal ores	376.2	483.1	425.5	908.6	-5.6	-25.1	35.7	34.4
Chemicals, plastics and fertilizers	453.9	635.4	538.8	1,174.2	2.1	-6.3	4.0	34.4
Metals and alloys	845.2	910.4	1,008.2	1,918.7	-12.3	-1.8	21.8	23.8
Other industrial goods and materials	447.7	493.4	445.4	938.7	4.5	4.8	-14.0	20.1
MACHINERY AND EQUIPMENT	1,918.5	2,297.8	2,323.2	4,620.9	21.8	21.6	2.5	21.4
Industrial and agricultural machinery	436.2	498.2	541.9	1,040.1	15.0	20.3	9.6	14.9
Aircraft and other transportation equipment	361.8	542.5	511.7	1,054.2	23.0	21.4	28.0	-13.2
Other machinery and equipment	1,120.6	1,257.1	1,269.5	2,526.6	24.3	22.3	-7.2	39.5
AUTOMOTIVE PRODUCTS	2,716.7	2,242.7	2,569.7	4,812.5	-19.1	-9.7	-5.0	-0.9
Passenger autos and chassis	1,235.0	949.6	1,239.4	2,189.0	-14.2	-0.7	-15.0	4.0
Trucks and other motor vehicles	669.6	636.2	599.7	1,235.8	-14.5	-6.2	-2.6	21.5
Motor vehicle parts	812.0	657.0	730.7	1,387.7	-29.0	-24.6	11.1	-19.5
OTHER CONSUMER GOODS	203.7	239.1	245.3	484.4	4.7	5.7	-3.0	14.2
SPECIAL TRANSACTIONS TRADE *	69.0	239.4	225.7	465.1	277.2	296.9	-13.5	153.1
UNALLOCATED ADJUSTMENTS *	224.9	-34.8	-34.9	-69.7	-107.1	-106.6	-919.0	-121.3
TOTAL	10,953.6	11,625.2	11,708.9	23,334.1	-2.9	-2.0	5.1	8.3

* Series has no seasonality.

Table 4
Imports by Commodity Groupings
 February 1990
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Dec.	Jan.	Feb.	Year-to-date		Percentage change		
				Value	% change	Feb.'90/ Feb.'89	Feb.'89/ Feb.'88	Feb.'88/ Feb.'87
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	659.8	695.8	737.1	1,432.9	7.9	8.2	9.0	4.9
Fruits and vegetables	223.0	257.4	263.9	521.3	15.4	15.3	8.3	7.9
Other agricultural and fishing products	436.8	438.4	473.2	911.6	4.0	4.5	9.4	3.4
ENERGY PRODUCTS	478.9	569.3	597.1	1,166.4	22.1	25.9	25.5	-7.3
Crude petroleum	295.7	282.8	386.2	669.0	23.0	31.2	21.4	-11.9
Other energy products	183.2	286.6	210.8	497.4	20.9	15.0	34.9	5.3
FORESTRY PRODUCTS	110.4	140.8	122.7	263.5	18.2	9.9	-1.3	30.8
INDUSTRIAL GOODS AND MATERIALS	2,094.2	2,276.6	2,262.4	4,539.0	2.9	4.9	9.9	25.0
Metals and metal ores	566.1	623.2	665.3	1,288.5	-2.1	8.1	15.5	31.0
Chemicals and plastics	629.3	668.1	694.9	1,363.1	0.3	4.1	11.7	22.9
Other industrial goods and materials	898.9	985.2	902.2	1,887.4	8.6	3.5	5.3	23.4
MACHINERY AND EQUIPMENT	3,608.7	3,635.3	3,708.5	7,343.8	4.7	4.3	9.7	25.5
Industrial and agricultural machinery	1,023.1	1,124.5	1,124.7	2,249.3	3.4	4.9	1.8	15.1
Aircraft and other transportation equipment	440.3	440.5	455.9	896.4	-13.8	-15.0	34.0	12.8
Office machines and equipment	581.1	522.2	539.7	1,061.9	2.3	1.6	7.0	31.9
Other machinery and equipment	1,564.2	1,548.1	1,588.2	3,136.3	13.5	12.6	9.2	38.5
AUTOMOTIVE PRODUCTS	2,762.9	2,048.9	2,548.6	4,597.5	-15.7	-5.3	-3.6	3.4
Passenger autos and chassis	1,114.2	834.1	925.2	1,759.3	-17.9	-9.3	-2.1	5.6
Trucks and other motor vehicles	290.4	264.9	267.8	532.7	-14.6	-15.4	-0.4	4.0
Motor vehicle parts	1,358.3	949.9	1,355.7	2,305.6	-14.3	0.7	-5.5	1.5
OTHER CONSUMER GOODS	1,181.3	1,397.5	1,262.0	2,659.5	10.1	3.8	5.9	12.0
Apparel and footwear	275.3	365.2	292.1	657.3	20.9	6.4	-0.3	10.6
Miscellaneous consumer goods	905.9	1,032.3	969.9	2,002.2	6.9	2.7	8.8	12.6
SPECIAL TRANSACTIONS TRADE *	218.4	229.7	239.7	469.4	13.4	14.1	24.3	32.7
UNALLOCATED ADJUSTMENTS *	-69.8	-38.2	-33.4	-71.6	-52.3	-55.6	2.9	21.6
TOTAL	11,044.8	10,955.8	11,444.7	22,400.5	1.5	3.4	5.9	14.2

* Series has no seasonality.

Table 5
Merchandise Trade of Canada
 Constant Dollars, Laspeyres Price Indexes and Terms of Trade
 February 1990
 Seasonally Adjusted, Balance of Payments Basis

	Constant 1981 dollars (1)				Laspeyres price index (2)						
	Exports		Imports		Period-to-period change (4)		1981=100.0		Period-to-period change (4)		Terms of Trade(3)
							Exports	Imports	Exports	Imports	
	\$ millions		%						%		
1984	106,931	85,581	18.6	19.7	105.0	109.6	95.8	4.2	5.7	-1.4	
1985	113,822	94,442	6.4	10.4	106.0	113.4	93.5	1.0	3.4	-2.3	
1986	117,822	101,513	3.5	7.5	104.0	112.8	92.2	-1.9	-0.5	-1.4	
1987	126,399	110,707	7.3	9.1	105.1	112.2	93.7	1.1	-0.5	1.6	
1988	139,052	126,877	10.0	14.6	107.8	110.5	97.6	2.6	-1.6	4.3	
1989	138,112	136,447	-0.7	7.5	110.1	111.3	98.9	2.1	0.7	1.4	
1988											
First quarter	34,379	31,100	3.9	3.7	106.2	111.3	95.4	-0.5	-1.7	1.2	
Second quarter	35,363	31,514	2.9	1.3	106.4	110.1	96.6	0.1	-1.0	1.1	
Third quarter	34,670	31,530	-2.0	0.1	108.6	110.1	98.6	2.1	0.0	2.1	
Fourth quarter	34,640	32,734	-0.1	3.8	109.8	110.4	99.5	1.2	0.3	0.9	
1989											
First quarter	34,818	33,479	0.5	2.3	111.5	110.2	101.2	1.5	-0.2	1.7	
Second quarter	34,513	34,173	-0.9	2.1	111.9	111.7	100.2	0.3	1.4	-1.1	
Third quarter	34,421	33,962	-0.3	-0.6	109.6	111.1	98.6	-2.0	-0.5	-1.5	
Fourth quarter	34,361	34,833	-0.2	2.6	109.1	111.0	98.3	-0.5	-0.1	-0.4	
1989											
January	11,909	11,103	4.4	1.5	111.3	109.9	101.3	1.1	0.2	0.9	
February	11,484	11,097	-3.6	-0.1	111.5	110.3	101.1	0.1	0.3	0.3	
March	11,425	11,278	-0.5	1.6	112.0	110.3	101.5	0.4	0.0	0.4	
April	11,198	11,440	-2.0	1.4	112.1	111.5	100.5	0.1	1.1	-1.0	
May	12,258	11,736	9.5	2.6	112.2	111.7	100.5	0.1	0.2	-0.1	
June	11,056	10,998	-9.8	-6.3	111.5	111.8	99.7	-0.6	0.1	-0.8	
July	11,104	10,796	0.4	-1.8	110.5	111.2	99.4	-0.9	-0.5	-0.4	
August	11,695	11,651	5.3	7.9	109.6	110.2	99.5	-0.8	-0.9	0.1	
September	11,621	11,515	-0.6	-1.2	109.0	110.8	98.4	-0.6	0.5	-1.1	
October	11,615	11,959	-0.1	3.9	109.6	111.1	98.6	0.6	0.3	0.3	
November	11,639	11,271	0.2	-5.8	109.1	111.0	98.3	-0.4	-0.1	-0.4	
December	11,108	11,603	-4.6	3.0	108.8	109.9	99.0	-0.3	-1.0	0.7	
1990											
January	12,170	11,263	9.6	-2.9	108.5	110.8	97.9	-0.3	0.8	-1.1	
February	11,932	11,695	-2.0	3.8	110.4	113.3	97.4	1.7	2.3	-0.5	
1989	23,393	22,201	3.9	10.6							
1990	24,102	22,959	3.0	3.4							

(1) The Paasche current weighted price index used to calculate constant dollars can be derived by dividing current values by the constant dollars above.

(2) The Laspeyres price index uses fixed weights based on 1981 trade and therefore reflects changes in price only.

(3) The Terms of Trade are the ratios of export price indexes to import price indexes, multiplied by 100.

(4) Change over previous period.

Note: Due to rounding, monthly data may not add up to quarterly data and quarterly data may not add up to annual data.

Table 6
Exports by Commodity Groupings in 1981 Dollars
 February 1990
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Dec.	Jan.	Feb.	Year-to-date		Percentage change		
				Value	% change	Feb.'90/ Feb.'89	Feb.'89/ Feb.'88	Feb.'88/ Feb.'87
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	989.9	1,212.0	1,185.7	2,397.7	26.2	29.2	-15.9	1.9
Wheat	340.3	464.2	384.0	848.3	56.0	51.8	-41.8	26.8
Other agricultural and fishing products	649.6	747.8	801.6	1,549.4	14.3	21.7	-1.2	-8.3
ENERGY PRODUCTS	1,791.4	1,980.5	1,613.1	3,593.6	-4.8	-12.2	-8.4	25.5
Crude petroleum *	838.0	774.4	696.7	1,471.1	-11.6	-7.7	-9.1	24.8
Natural gas	536.4	635.9	420.0	1,055.9	7.0	-21.6	-7.2	43.1
Other energy products	417.0	570.2	496.3	1,066.5	-5.0	-7.4	-8.7	10.5
FORESTRY PRODUCTS	1,343.5	1,437.6	1,460.7	2,898.3	8.0	9.3	-5.7	4.3
Lumber and sawmill products	514.3	466.0	495.5	961.5	0.0	2.7	-2.5	-0.1
Woodpulp and other wood products	368.1	404.7	371.1	775.7	-0.3	-4.8	-3.2	4.9
Newsprint and other paper and paperboard	461.1	566.9	594.1	1,161.1	23.0	27.4	-10.5	8.0
INDUSTRIAL GOODS AND MATERIAL	2,161.5	2,530.6	2,481.4	5,012.1	6.6	8.5	0.6	18.5
Metal ores	426.1	521.6	444.9	966.4	4.9	-14.3	14.7	17.7
Chemicals, plastics and fertilizers	486.6	671.4	589.9	1,261.3	9.1	3.2	-6.6	31.5
Metals and alloys	843.7	910.3	1,055.5	1,965.8	6.9	26.1	5.5	8.2
Other industrial goods and materials	405.1	427.4	391.2	818.6	4.2	7.0	-12.7	23.8
MACHINERY AND EQUIPMENT	2,246.2	2,859.2	2,871.6	5,730.8	35.8	34.6	-2.3	36.9
Industrial and agricultural machinery	313.5	357.3	383.8	741.1	10.5	15.6	4.5	14.1
Aircraft and other transportation equipment	255.1	380.0	361.2	741.2	20.8	20.3	20.0	-14.8
Other machinery and equipment	1,677.6	2,121.9	2,126.7	4,248.5	44.8	41.6	-6.9	57.3
AUTOMOTIVE PRODUCTS	2,136.6	1,770.2	1,957.4	3,727.6	-20.8	-13.4	-0.7	0.9
Passenger autos and chassis	912.0	698.8	880.2	1,579.0	-16.1	-4.9	-11.1	7.4
Trucks and other motor vehicles	543.9	519.3	471.8	991.1	-16.0	-10.0	2.1	25.9
Motor vehicle parts	680.7	552.1	605.4	1,157.5	-29.7	-26.0	13.3	-18.7
OTHER CONSUMER GOODS	140.4	165.5	167.9	333.4	0.1	1.3	-8.9	10.5
SPECIAL TRANSACTIONS TRADE *	70.0	250.6	230.0	480.6	300.1	314.6	-16.8	159.0
UNALLOCATED ADJUSTMENTS *	228.5	-36.4	-35.6	-72.0	-107.5	-106.9	-887.8	-121.8
TOTAL	11,108.1	12,169.8	11,932.2	24,102.0	3.0	2.4	1.1	10.9

* Series has no seasonality.

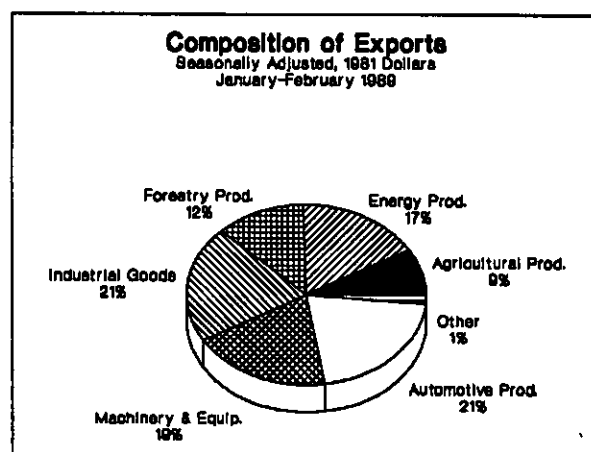
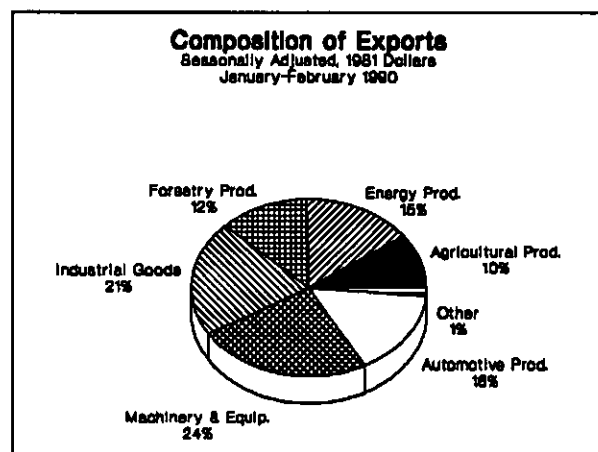
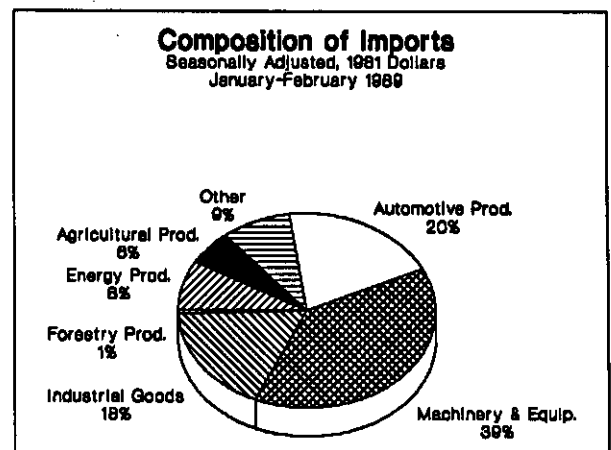
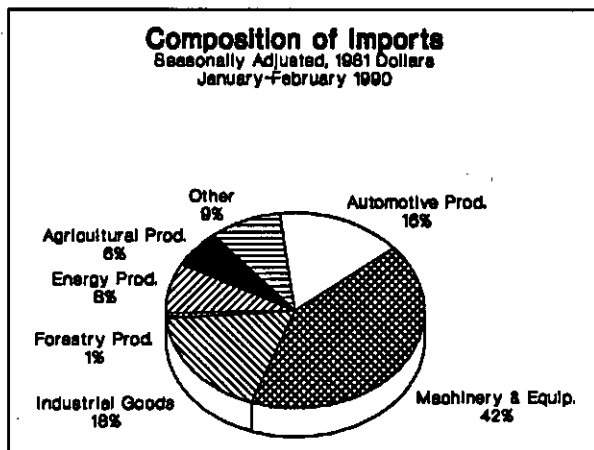


Table 7
Imports by Commodity Groupings in 1981 Dollars
 February 1990
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	Dec.	Jan.	Feb.	Year-to-date		Percentage change		
				Value	% change	Feb.'90/ Feb.'89	Feb.'89/ Feb.'88	Feb.'88/ Feb.'87
	\$ millions							
AGRICULTURAL AND FISHING PRODUCTS	626.9	671.9	710.1	1,382.0	9.4	9.6	7.0	4.2
Fruits and vegetables	181.5	205.5	217.5	423.0	12.3	10.7	7.3	10.3
Other agricultural and fishing products	445.4	466.3	492.6	959.0	8.2	9.1	6.8	1.8
ENERGY PRODUCTS	853.2	902.9	992.8	1,895.7	5.0	10.8	35.5	3.3
Crude petroleum	604.4	534.6	730.1	1,264.7	5.1	17.8	28.0	2.4
Other energy products	248.8	368.4	262.7	631.1	4.8	-7.6	60.5	6.6
FORESTRY PRODUCTS	79.2	103.7	87.9	191.5	27.4	14.8	-4.5	21.5
INDUSTRIAL GOODS AND MATERIALS	1,929.3	2,066.2	2,059.5	4,125.7	5.5	8.4	5.6	19.9
Metals and metal ores	566.2	603.3	649.1	1,252.4	6.6	20.1	7.3	16.7
Chemicals and plastics	595.8	637.3	658.7	1,296.1	4.7	9.0	7.6	20.2
Other industrial goods and materials	767.3	825.6	751.7	1,577.3	5.3	0.2	2.8	21.7
MACHINERY AND EQUIPMENT	4,819.1	4,679.8	4,707.7	9,387.5	10.4	8.3	14.2	39.5
Industrial and agricultural machinery	826.5	910.6	884.6	1,795.3	2.2	2.3	3.5	17.0
Aircraft and other transportation equipment	318.7	336.4	335.7	672.0	-10.6	-13.7	33.3	12.6
Office machines and equipment	2,443.6	2,194.3	2,267.7	4,461.9	16.9	14.8	18.9	65.4
Other machinery and equipment	1,230.2	1,238.6	1,219.7	2,458.2	12.8	10.3	9.8	38.1
AUTOMOTIVE PRODUCTS	2,223.8	1,577.4	1,959.5	3,536.9	-19.2	-9.2	-4.7	4.6
Passenger autos and chassis	834.9	574.4	650.6	1,225.1	-24.8	-15.6	-9.4	3.3
Trucks and other motor vehicles	224.8	198.0	194.9	392.9	-16.7	-18.4	-0.2	10.5
Motor vehicle parts	1,164.0	805.0	1,113.9	1,919.0	-15.8	-2.4	-1.8	4.5
OTHER CONSUMER GOODS	915.7	1,064.3	967.2	2,031.6	5.7	-1.2	7.2	10.8
Apparel and footwear	188.9	245.6	195.5	441.0	5.1	-8.7	6.5	0.8
Miscellaneous consumer goods	726.8	818.8	771.7	1,590.5	5.9	2.2	7.5	16.0
SPECIAL TRANSACTIONS TRADE *	229.6	236.2	244.9	481.1	15.4	15.2	27.1	37.9
UNALLOCATED ADJUSTMENTS *	-73.4	-39.3	-34.2	-73.4	-51.4	-55.1	5.2	26.4
TOTAL	11,603.3	11,263.2	11,695.4	22,958.6	3.4	4.5	8.3	18.8

* Series has no seasonality.



Discrepancies in Bilateral Merchandise Trade Statistics Published by Canada and Japan (A. MacDonald)

Japan is Canada's second largest trading partner after the United States. In 1988, Canada's merchandise trade with Japan amounted to \$17.7 billion or 7% of Canada's total trade while in 1989 it stands at \$18.3 billion. As more and more attention is given to Canada's trade performance with Japan, the difference between the two countries' trade balances has become a dilemma for those interested in the evolution of merchandise trade between the two nations. In 1988, the gap between both countries' published trade balance vis à vis the other reached \$2.7 billion; Canada's deficit (with Japan) totalled \$353 million and Japan's deficit (with Canada) amounted to \$2,357 million.

The value of what one trading partner exports is expected to equal what the other imports. However, several factors including conceptual and trade definition differences, time lags and transportation costs undermine the comparability of recorded statistics between partner countries. This article highlights the discrepancies noted in bilateral merchandise trade statistics pub-

lished by Canada and Japan from 1984 to 1988 and identifies the major factors that may cause these discrepancies.

Comparability of Westbound Trade Data - Canadian Domestic Exports and Japanese Imports

Japanese imports are published according to the country of origin of the goods and, therefore, should correspond to Canadian domestic exports which exclude re-exports. Indeed, Canadian re-exports are not of Canadian origin and, theoretically, are not assigned to Canada in Japanese imports.

During the 1984-1988 period, Japanese imports exceeded Canadian domestic exports by an average of 12.9% a year. Canadian domestic exports jumped 53.9%, from \$5.6 billion in 1984 to \$8.7 billion in 1988. The counterpart imports increased 59.7% during the same period, from \$6.4 billion to \$10.2 billion. The discrepancy as a percentage of Japanese imports was stable from 1984 to 1987, ranging from 11.9% to 12.6%. In 1988, the gap widened to 15.1% as a result of faster

Table 1: Discrepancies in Westbound Trade Statistics, Customs Data Published by Canada and Japan

Period	Japanese Imports (C.I.F.) Cty of Origin ⁽¹⁾	Canadian Domestic Exports (F.O.B.) Cty of Final Destination	Difference	
			Value	As a Percentage of Jap. Imp.
		\$ millions		%
1984	6,403.1	5,640.9	762.2	11.9
1985	6,515.9	5,707.2	808.7	12.4
Year-to-year percentage change	1.8%	1.2%		
1986	6,802.0	5,942.0	860.0	12.6
Year-to-year percentage change	4.4%	4.1%		
1987	8,053.2	7,036.2	1,017.0	12.6
Year-to-year percentage change	18.4%	18.4%		
1988	10,226.6	8,679.5	1,547.1	15.1
Year-to-year percentage change	27.0%	23.4%		

(1) Source: The "Summary Report on Trade of Japan". Value in US\$ converted to C\$ using the annual exchange rates (average of noon spot rates) published by the Bank of Canada.

growth in Japanese imports (27.0%) compared to Canadian exports (23.4%).

One factor, C.I.F. (freight and insurance) costs, explains most of the westbound difference. These costs are included in the value of Japanese imports while Canadian exports exclude them i.e. are valued on an F.O.B. (free on board) basis. In 1988, C.I.F. costs averaged 12.1%¹ of the C.I.F. value of all goods imported by Japan. The specific C.I.F. costs of Japanese imports from Canada are unknown but could represent 10% to 15% of the total C.I.F. value. According to United States trade data, the C.I.F. costs of transporting crude materials and mineral fuels from Japan to the United States represent approximately 10.4%² of the C.I.F. import value. This is also an indicator of the C.I.F. costs of exporting Canadian goods to Japan. -There are other factors which impact directly on the comparability of westbound trade data including the following.

Japanese import data include goods that have originated in Japan, were exported to Canada and re-imported by Japan (\$25 million of re-imports in 1988). The corresponding figure on the Canadian side is a percentage of re-exports to Japan which cannot be determined.

Problems of time lags affect the comparability of westbound trade statistics. Over 50% of Canada's exports to Japan are natural resources, mainly mineral and wood products including charcoal and woodpulp. These goods are usually exported in very large quantities and a single shipment can be valued at several millions of dollars. Depending on the port of exit, it can take up to eight weeks for a shipment to reach Japan. Our comparisons are conducted on annual data, based on the calendar year. When large shipments (exports) are recorded in Canadian data for November and December, these goods might arrive in Japan during January and February of the following year. Therefore, time lags create short-term discrepancies which should even out over the longer term. For example, Japanese imports (C.I.F.) of zinc ores totalled \$58 million in 1988, \$4.3 million less

than Canadian exports. However, over a sixteen month period (January 1988 to April 1989), Japan recorded \$88.7 million in imports (C.I.F.) of zinc ores from Canada, \$4.4 million more than Canadian exports.

Japanese data exclude imports of gold coins which are considered to be "Statistics of Special Articles" while exports of gold coins are included in Canadian data.

The comparability in bilateral merchandise trade data is also blurred when goods are shipped indirectly, i.e. a third country is involved. Fortunately, this is not an important problem in Canada/Japan westbound trade comparisons. However, it is of a much greater concern for eastbound trade statistics. When a third country is involved, the country of origin for imports and the country of final destination for exports are not always obvious to importers and exporters. Often, the country of last shipment is coded by the importer or the last known destination is given by the exporter. For example, two airplanes valued at approximately \$17 million were exported to Japan through the United States in 1988 where some interior finishing was completed. Canadian Customs documents assigned United States as the final destination for these airplanes while Japanese data registered the country of origin for these airplanes as Canada.

Comparability of Eastbound Trade Data - Canadian Imports and Japanese Domestic Exports

In 1988, Canada's imports from Japan were valued at \$9.0 billion, \$1.2 billion more than Japanese exports to Canada and almost twice the difference noted in 1984 (\$618 million). This discrepancy as a percentage of Canadian imports ranged from 8.4% to 12.9% over the five years under review. Canadian imports grew 46.4% over the 1984-1988 period while the counterpart exports increased 41.7%.

As opposed to westbound trade, there is no major conceptual difference which could explain the magnitude of Canadian imports over Japanese exports. Both sets of data are valued on an F.O.B. basis. In addition,

1. This percentage is calculated using the F.O.B. value of all Japanese imports published by the Bank of Japan in the *"Balance of Payments"* and the C.I.F. value published by the Japan Tariff Association in the *"Summary Report on Trade of Japan"*.
2. This percentage is calculated using the Customs value (F.O.B.) and C.I.F. value of American imports from Japan published in *"Highlights of U.S. Export and Import Trade"* by the Bureau of the Census, U.S. Department of Commerce.

Canadian imports are compiled on a country of origin basis which, in theory, corresponds to the country of final destination for exports concept used by the Japanese.

Nonetheless, according to Canada's import records, a substantial portion, approximately 13%, of Japanese exports destined to Canada are routed through a third country, mostly the United States. Indeed, 94.6% of Canadian indirect imports from Japan are routed through the United States while 1.7% go through Hong Kong. On Canadian Customs documents, such imports have "Japan" as the country of origin and the "United States" as the country of last shipment (or country of export). It is possible that Japanese exporters assign a portion of those goods to the United States since the final destination (Canada) may be unknown at the time of export. As highlighted in Table 3, this assumption is reinforced by the strong correlation noted between the eastbound discrepancy and the value of goods of Japanese origin imported indirectly to Canada through the United States.

Imports of office machines and parts and electronic related goods are considerably affected by the divergence of trade through the United States. In 1988, 40%

(\$227 million) of office machines and parts imported to Canada from Japan were routed through the United States. Canadian imports of these products were \$206 million higher than the counterpart exports. Similarly, 79% (\$144 million) of Japanese electronic integrated circuits imported to Canada were shipped first to the United States. Canadian imports were \$150 million more than Japanese exports in this sector.

In those sectors where most goods are shipped directly to Canada, the comparability of trade data improves significantly. For instance, Canadian imports of Japanese automotive products and counterpart exports differed by less than 1% in 1988.

There are other factors which impact directly on the comparability of eastbound trade data including the following.

Japanese data exclude exports valued at less than 200,000 yen (= \$2,000) whereas Canadian data include them. In 1988, Canadian imports from Japan of less than \$2,000 totalled almost \$50 million.

Japanese domestic exports of platinum to Canada amounted to \$42 million in 1988 even though Japan is producing only small quantities of this precious metal.

Table 2: Discrepancies in Eastbound Trade Statistics, Customs Data Published by Canada and Japan

Period	Canadian Imports (F.O.B.) Cty of Origin	Japanese Domestic Exports (F.O.B.) Cty of Final Destination ⁽¹⁾	Difference	
			Value	As a Percentage of Can. Imp.
		\$ millions		%
1984	6,171.9	5,554.1	617.8	10.0
1985	6,731.3	6,159.7	571.6	8.5
Year-to-year percentage change	9.1%	10.9%		
1986	8,367.3	7,665.8	701.5	8.4
Year-to-year percentage change	24.3%	24.5%		
1987	8,351.4	7,422.7	928.7	11.1
Year-to-year percentage change	-0.2%	-3.2%		
1988	9,032.8 ⁽²⁾	7,869.5	1,163.3	12.9
Year-to-year percentage change	8.2%	6.0%		

(1) Source: The "Summary Report on Trade of Japan" and "Japan Exports and Imports, Country by Commodity". Value in US\$ and Yen converted to C\$ using the annual exchange rates (average of noon spot rates) published by the Bank of Canada.

(2) This figure is \$220 million inferior to the published one, in order to cancel the effect of the change from Customs stamped date to release date for the recording of imports effective January 1988.

Table 3: Eastbound Discrepancies and Indirect Imports of Japanese Origin Goods to Canada

Period	Eastbound Discrepancies	Canadian Imports with Cty of Origin "Japan" and Cty of Export "United States"		Difference
		\$ millions		
1984	617.8	404.6		213.2
1985	571.6	572.7		-1.1
1986	701.5	709.9		-8.4
1987	928.7	788.9		139.8
1988	1,163.3	1,120.4		42.9

Canada's imports of platinum originating from Japan totalled \$23,000. Most platinum imported into Canada is of U.S.S.R. origin. However, according to Canadian Customs documents, Japan was the country of last shipment for roughly \$41 million of platinum imported to Canada during 1988.

Comparability of Trade Balances

The total discrepancy between the trade balances of Canada and Japan equals the sum of the eastbound and westbound discrepancies. In 1988, \$2.7 billion separated the trade balances, almost twice the gap recorded four years earlier. However, over the five years under review, Japanese and Canadian trade balances have moved in the same direction. An improvement in Japan's trade balance has coincided with a deterioration in the Canadian balance and vice versa.

Conclusion

Canadian and Japanese published trade balances must be compared in light of discrepancies in both directions of trade.

Two major factors, C.I.F. costs and divergence of trade through the U.S., explain a substantial portion of the discrepancy between the published trade balances of Canada and Japan. Most of the westbound trade difference is attributable to the inclusion of C.I.F. costs in Japanese imports while Canadian exports exclude them. In assuming these costs at approximately 13% of Japanese imports, we can conclude that comparability of westbound trade is excellent. In the other direction of trade, there are indications that a significant percentage of the eastbound trade difference results from difficulties encountered by the Japanese exporters in assigning the final destination of Japanese exports to Canada which are routed through the U.S. This understatement of Japanese exports to Canada has contributed to widening the gap noted in the published trade balance of both countries. This situation is similar to the one observed over the years in Canada/U.S. bilateral trade statistics, where the northbound trade statistics were far less comparable than southbound trade statistics.

Table 4: Discrepancies in Bilateral Trade Balances of Canada and Japan

Period	Canada's Trade Balance with Japan	Japan's Trade Balance with Canada	Difference
	\$ millions		
1984	-531.0	-849.0	1,380.0
1985	-1,024.1	-356.2	1,380.3
1986	-2,425.3	863.8	1,561.5
1987	-1,315.2	-630.5	1,945.7
1988	-353.3	-2,357.1	2,710.4