
Canada

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Change in 2003 from 2002:

U.S. trade deficit: Increased by \$7.3 billion (11 percent) to \$75.3 billion

U.S. exports: Increased by \$6.2 billion (4 percent) to \$148.7 billion

U.S. imports: Increased by \$13.5 billion (6 percent) to \$224.0 billion

- The rebounding U.S. economy (see U.S. Merchandise Trade Performance) and sharply higher energy prices were chiefly responsible for increased U.S. imports from Canada and the expansion of the bilateral trade deficit with that partner in 2003. Increased imports of energy-related products accounted for 87 percent of the total growth in U.S. imports from Canada (see tables CANADA-1 and CANADA-2), but exports to Canada of energy-related products grew, but at a slower rate than imports, for a net expansion of the U.S. trade deficit with Canada in the energy sector.
- The U.S. trade deficit with Canada in products outside the energy sector declined in 2003, as the increase in U.S. exports exceeded the rise in U.S. imports from Canada. Despite the deceleration in Canada's gross domestic product (GDP) growth to a relatively modest 1.7-percent rate in 2003,¹ U.S. exporters of machinery and equipment (see Machinery, Transportation Equipment, and Electronic Products) benefitted from a strong buildup of business inventories in Canada, record orders in the transportation and computer sectors, and brisk business investment in plant and equipment.² Likewise, the relatively slow rise in non-energy imports from Canada during a time of more rapid U.S. GDP growth reflects the 15-percent appreciation of the Canadian dollar against the U.S. dollar in the latter half of 2003,³ making Canadian goods more expensive in the U.S. market.

¹ Chief factors that slowed Canada's economic growth in 2003 were the war in Iraq, concerns about incidences of Severe Acute Respiratory Syndrome, a case of "mad-cow disease" in Alberta, forest fires in the Western Provinces, a hurricane in the Eastern Provinces, a massive power outage in Ontario, and appreciation of the Canadian dollar against the U.S. dollar. Bank of Canada, *Annual Report*, found at <http://bank-banque-canada.ca/en/annual/index.htm>, retrieved Mar. 31, 2004.

² Zoltan Pozar, "GDP Analysis-Canada," *Economy*, found at <http://www.economy.com/dismal/pro/release>, retrieved Feb. 18, 2004.

³ Bank of Canada, *Annual Report*.

Table CANADA-1

Canada: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 1999-2003¹

Item	1999	2000	2001	2002	2003	Change, 2003 from 2002		
						Absolute	Percent	
	<i>Million dollars</i>							
U.S. exports of domestic merchandise:								
Agricultural products	7,608	8,209	8,694	9,121	9,805	684	7.5	
Forest products	7,231	7,858	7,462	7,502	7,960	457	6.1	
Chemicals and related products	18,783	20,327	19,692	20,115	21,516	1,401	7.0	
Energy-related products	2,370	2,896	3,862	2,889	4,296	1,408	48.7	
Textiles and apparel	3,545	3,646	3,344	3,193	3,121	-72	-2.3	
Footwear	85	72	70	65	57	-8	-12.7	
Minerals and metals	13,578	15,421	13,262	13,447	13,820	373	2.8	
Machinery	16,297	17,179	15,949	15,207	15,310	103	0.7	
Transportation equipment	48,132	48,387	44,207	46,733	48,568	1,835	3.9	
Electronic products	22,049	25,007	20,108	17,025	16,637	-388	-2.3	
Miscellaneous manufactures	3,883	4,174	3,759	3,561	3,697	136	3.8	
Special provisions	2,171	2,424	4,211	3,686	3,961	276	7.5	
Total	145,731	155,601	144,621	142,543	148,749	6,206	4.4	
U.S. imports of merchandise for consumption:								
Agricultural products	10,349	11,189	12,373	12,953	12,975	21	0.2	
Forest products	23,829	24,782	23,449	22,311	22,640	329	1.5	
Chemicals and related products	13,708	15,858	16,398	16,673	18,440	1,767	10.6	
Energy-related products	17,766	31,860	34,598	29,903	41,579	11,676	39.0	
Textiles and apparel	3,640	3,945	3,791	3,859	3,788	-72	-1.9	
Footwear	89	76	79	68	64	-4	-5.3	
Minerals and metals	17,285	19,215	16,916	17,797	18,003	206	1.2	
Machinery	9,637	10,419	9,876	9,810	10,071	260	2.7	
Transportation equipment	68,517	69,296	64,781	65,462	66,727	1,265	1.9	
Electronic products	14,609	21,200	13,868	10,605	9,768	-836	-7.9	
Miscellaneous manufactures	5,740	6,452	5,931	5,967	6,137	170	2.9	
Special provisions	13,072	14,766	14,778	15,108	13,824	-1,284	-8.5	
Total	198,242	229,060	216,836	210,518	224,016	13,498	6.4	
U.S. merchandise trade balance:								
Agricultural products	-2,740	-2,980	-3,679	-3,833	-3,170	663	17.3	
Forest products	-16,599	-16,924	-15,987	-14,809	-14,680	129	0.9	
Chemicals and related products	5,075	4,469	3,294	3,442	3,076	-366	-10.6	
Energy-related products	-15,396	-28,964	-30,736	-27,014	-37,283	-10,268	-38.0	
Textiles and apparel	-96	-299	-446	-666	-666	-1	-0.1	
Footwear	-5	-4	-9	-3	-8	-5	-140.9	
Minerals and metals	-3,708	-3,795	-3,654	-4,350	-4,183	167	3.8	
Machinery	6,660	6,760	6,073	5,396	5,240	-157	-2.9	
Transportation equipment	-20,385	-20,908	-20,574	-18,730	-18,159	571	3.0	
Electronic products	7,441	3,807	6,241	6,420	6,869	449	7.0	
Miscellaneous manufactures	-1,858	-2,278	-2,172	-2,406	-2,440	-34	-1.4	
Special provisions	-10,901	-12,342	-10,566	-11,423	-9,863	1,560	13.7	
Total	-52,511	-73,459	-72,215	-67,975	-75,267	-7,293	-10.7	

¹Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table CANADA-2

Leading changes in U.S. exports to and U.S. imports from Canada, 1999-2003

Sector/commodity	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
	<i>Million dollars</i>						
U.S. EXPORTS:							
Increases:							
Motor vehicles (ET009)	14,443	14,500	12,846	15,486	17,193	1,707	11.0
Energy-related products:							
Natural gas and components (CH006)	148	307	338	523	1,285	762	145.7
Electrical energy (CH001)	206	398	1,258	304	716	412	135.9
Medicinal chemicals (CH025)	1,913	2,226	2,200	2,349	2,706	357	15.2
Decreases:							
Transportation equipment:							
Certain motor-vehicle parts (ET010)	16,186	15,801	14,096	15,460	15,126	-334	-2.2
Aircraft, spacecraft, and related equipment (ET013)	1,883	2,000	2,262	1,727	1,520	-208	-12.0
Electronic products:							
Computers, peripherals, and parts (ET035)	5,038	5,898	4,987	3,948	3,655	-293	-7.4
Television receivers and video monitors (ET022)	297	330	379	452	296	-156	-34.5
All other	105,617	114,142	106,255	102,294	106,251	3,957	3.9
TOTAL	145,731	155,601	144,621	142,543	148,749	6,206	4.4
U.S. IMPORTS:							
Increases:							
Energy-related products:							
Natural gas and components (CH006)	6,933	11,970	16,817	12,647	20,043	7,396	58.5
Crude petroleum (CH004)	6,552	12,654	10,121	11,196	14,086	2,890	25.8
Petroleum products (CH005)	2,362	3,911	4,287	4,258	5,479	1,221	28.7
Aircraft, spacecraft, and related equipment (ET013)	3,801	4,747	6,094	5,268	6,345	1,077	20.5
Medicinal chemicals (CH025)	721	853	1,199	1,326	1,946	620	46.7
Decreases:							
Cattle and beef (AG002)	1,683	1,760	2,187	2,289	1,271	-1,018	-44.5
Transportation equipment:							
Aircraft engines and gas turbines (ET001)	1,461	1,957	2,465	2,300	1,594	-705	-30.7
Motor vehicles (ET009)	46,573	45,666	41,159	41,589	41,022	-566	-1.4
Forest products: Lumber (AG052)	7,041	6,242	5,898	5,450	4,835	-615	-11.3
All other	121,116	139,299	126,608	124,195	127,393	3,198	2.6
TOTAL	198,242	229,060	216,836	210,518	224,016	13,498	6.4

Note.-Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports

- Trade with Canada in the automotive sector is strongly influenced by the highly integrated nature of North American manufacturing, facilitated by shared infrastructure and markets, and high levels of foreign direct investment. The 11-percent rise in the value of motor vehicles destined for Canada was also the largest absolute shift among all export products in 2003 (see table CANADA-2). However, the quantity declined 10 percent, as fewer but more expensive vehicles were exported to Canada (see Motor Vehicles in Transportation). For the automotive sector as a whole, the net effect was a reduction in the U.S. trade deficit with Canada, although cost reductions in Canada through productivity improvements in the manufacture of certain motor vehicle parts (see Certain Motor-Vehicle Parts in Transportation) have led to increased U.S. imports from Canada.⁴

⁴ “Canadian Auto Report,” Scotia Economics, Feb. 27, 2004, found at <http://www.scotiabank.com>, retrieved Mar. 10, 2004.

U.S. imports

- Natural gas and components from Canada accounted for the largest increase in imports in 2003 (see table CANADA-2), as Canada is the leading supplier of natural gas and components and a major supplier of crude petroleum and petroleum products to the highly energy import-dependent U.S. economy. Growth in the value of imports is attributed to increased prices, as the average price of natural gas increased 73 percent (see Natural Gas and Components in Energy Products)⁵ and the price of crude petroleum increased by 22 percent in 2003 (see Crude Petroleum in Energy Products),⁶ far outpacing quantity growth rates.⁷ The quantity of petroleum products imported by the United States from Canada decreased 1 percent,⁸ belying the 29-percent rise in the value of such imports in that year (see Petroleum Products in Energy Products).
- Rather than trade in large civil aircraft (see Aircraft, Spacecraft, and Related Equipment in Transportation Equipment), the increased imports of aircraft, spacecraft, and related equipment from Canada in 2003 reflected higher U.S. demand for regional jets and business jets.⁹ Quebec-based Bombardier is one of the world's largest producers of both types of aircraft.
- On May 20, 2003, Canada confirmed a case of "mad-cow disease" (bovine spongiform encephalopathy, BSE) in Alberta. The United States immediately prohibited imports of a large number of animals and animal products from Canada, including live cattle and beef.¹⁰ Although by August 2003, imports of beef from cattle below 30 months of age were allowed,¹¹ the value of Canadian beef imports dropped nearly 25 percent from the 2002 level. Live cattle imports, however, continued to be prohibited throughout 2003; consequently, the value of live cattle imports decreased 65 percent from the previous year (see Agricultural Products).

⁵ Natural-gas prices rose from \$2.95 per thousand cubic feet in 2002 to \$5.09 per thousand cubic feet in 2003. U.S. Department of Energy, Energy Information Administration, *Energy Supply Monthly, Natural Gas Monthly* and *Short-Term Energy Outlook*, 2003 and 2004 reports.

⁶ Crude oil prices rose from \$22.51 per barrel in 2002 to \$27.48 per barrel in 2003. U.S. Department of Energy, Energy Information Administration, *Short-Term Energy Outlook*, 2003 and 2004 reports.

⁷ For example, U.S. imports of crude petroleum grew 7 percent, from 1.4 million barrels per day in 2002 to 1.5 million barrels per day in 2003.

⁸ U.S. imports of petroleum products from Canada decreased from 526,000 barrels per day in 2002 to 521,000 barrels per day in 2003.

⁹ Regional jets allow airlines to expand existing service and provide new service at less financial risk than with larger aircraft, and have largely displaced turboprop aircraft at regional airlines. Business jets provide executives the flexibility to fly when needed, unencumbered by an airline's schedule. Bombardier Aerospace, "Regional Aircraft," found at http://www.bombardier.com/index.jsp?id=3_0&lang=en&file=/en/3_0/3_0.jsp, retrieved Feb. 26, 2004.

¹⁰ The list included live ruminants, ruminant products, processed animal proteins, and animal feed. A complete list of prohibited products can be found at <http://www.fsis.usda.gov/oa/topics/bse.htm>. For more information on BSE, see http://www.aphis.usda.gov/lpa/issues/bse/bse-canada_memo.html or <http://www.fsis.usda.gov/oa/topics/bse.htm>.

¹¹ U.S. Department of Agriculture, "Veneman Announces that Import Permit Applications for Certain Ruminant Products from Canada will be Accepted," news release, Aug. 8, 2003, found at <http://www.usda.gov/news/releases/2003/08/0281.htm>, retrieved on Apr. 2, 2004.