

Canada

John Reeder
(202) 205-3319
john.reeder@usitc.gov

Change in 2005 from 2004:

U.S. trade deficit: Increased by \$11.8 billion (13 percent) to \$104.3 billion

U.S. exports: Increased by \$20.1 billion (12 percent) to \$183.2 billion

U.S. imports: Increased by \$31.9 billion (12 percent) to \$287.5 billion

U.S. merchandise trade with Canada, the largest individual U.S. trading partner, increased \$51.9 billion (12 percent) to \$470.8 billion in 2005. This increase was second only to total bilateral trade with the EU (\$474.4 billion). Canada's natural resource-abundant economy strongly benefitted from rapidly rising world energy prices. The U.S. merchandise trade deficit with Canada in 2005 rose by 13 percent to \$104.3 billion.

Although the U.S. dollar depreciated in 2005 relative to the Canadian dollar (by about 5 percent in nominal terms), thereby aiding U.S. exports to Canada,¹ much higher prices of imported petroleum, natural gas, coal, and electricity boosted the value of U.S. imports from Canada. Over half of the bilateral trade in 2005 occurred among three industries: automotive (28 percent), energy (16 percent), and forest products (8 percent).

U.S. exports

U.S. exports to Canada benefitted from Canadian economic growth of 3.0 percent in 2005 (only slightly below the 3.5 percent rate in the United States),² as well as the stronger Canadian dollar. U.S. exports to Canada rose \$20.1 billion (12 percent) in 2005. Three categories of merchandise – transportation equipment (autos and auto parts), chemicals, and minerals and metal products – together accounted for 58 percent of U.S. exports to Canada in that year (table CANADA-1).

U.S. exports of transportation equipment to Canada rose \$6.1 billion (12 percent) to \$58.4 billion. U.S. exports reflect higher sales of vehicles in Canada as well as in the United States since Canada imports many U.S. auto parts used to assemble vehicles ultimately sold in the United States.³ A high proportion of U.S.-Canadian auto industry trade is accounted for by intracompany transfers.⁴

U.S. chemical products exports rose sharply by \$2.9 billion (12 percent) to \$26.4 billion. Higher prices of petroleum and natural gas (the feed stocks for many chemicals) and

¹ The U.S. dollar depreciated from CN\$1.2248 in January 2005 to CN\$1.1615 in December 2005, a nominal decline of 5 percent. U.S. Federal Reserve Bank, *Economic Data FRED*.

² Real GDP growth. OECD, *OECD Economic Outlook No. 78 - Statistical Annex Tables*, Annex Table 1.

³ According to North American automobile industry officials, a single auto part might cross the U.S.-Canadian border seven times before being used in final assembly of a vehicle. U.S. Department of State, U.S. Consulate, Toronto, "Canada's Auto CEOs Discuss Border Infrastructure."

⁴ The parts contained in a single automobile might require over 22,000 customs clearances between the United States and Canada over the process of assembly. U.S. Department of State, U.S. Consulate, Toronto, "Canada's Auto CEOs Discuss Border Infrastructure."

Table CANADA-1

Canada: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2001-2005¹

Item	2001	2002	2003	2004	2005	Change, 2005 from 2004	
						Absolute	Percent
<i>Million dollars</i>							
U.S. exports of domestic merchandise:							
Agricultural products	8,694	9,121	9,805	10,111	11,151	1,041	10.3
Forest products	7,462	7,502	7,960	8,536	9,111	575	6.7
Chemicals and related products	19,692	20,115	21,516	23,495	26,412	2,917	12.4
Energy-related products	3,862	2,889	4,296	5,754	8,487	2,732	47.5
Textiles and apparel	3,344	3,193	3,121	3,275	3,471	197	6.0
Footwear	70	65	57	59	65	6	9.7
Minerals and metals	13,262	13,447	13,820	16,835	19,110	2,275	13.5
Machinery	15,949	15,207	15,310	16,214	18,008	1,794	11.1
Transportation equipment	44,207	46,733	48,568	52,268	58,366	6,098	11.7
Electronic products	20,108	17,025	16,637	17,559	18,894	1,335	7.6
Miscellaneous manufactures	3,759	3,561	3,697	4,257	4,745	488	11.5
Special provisions	4,211	3,686	3,961	4,805	5,414	609	12.7
Total	144,621	142,543	148,749	163,168	183,235	20,067	12.3
U.S. imports of merchandise for consumption:							
Agricultural products	12,373	12,953	12,975	14,130	14,963	833	5.9
Forest products	23,449	22,311	22,640	27,584	28,224	641	2.3
Chemicals and related products	16,398	16,673	18,440	21,996	25,535	3,538	16.1
Energy-related products	34,598	29,903	41,579	49,278	66,116	16,838	34.2
Textiles and apparel	3,791	3,859	3,788	3,834	3,633	-201	-5.2
Footwear	79	68	64	77	94	17	21.8
Minerals and metals	16,916	17,797	18,003	22,636	25,590	2,954	13.0
Machinery	9,876	9,810	10,071	11,233	12,129	896	8.0
Transportation equipment	64,781	65,462	66,727	73,154	77,209	4,054	5.5
Electronic products	13,868	10,605	9,768	10,960	12,457	1,497	13.7
Miscellaneous manufactures	5,931	5,967	6,137	6,700	6,828	129	1.9
Special provisions	14,778	15,108	13,824	14,079	14,757	678	4.8
Total	216,836	210,518	224,016	255,660	287,534	31,873	12.5
U.S. merchandise trade balance:							
Agricultural products	-3,679	-3,833	-3,170	-4,019	-3,811	208	5.2
Forest products	-15,987	-14,809	-14,680	-19,047	-19,113	-66	-0.3
Chemicals and related products	3,294	3,442	3,076	1,499	878	-621	-41.4
Energy-related products	-30,736	-27,014	-37,283	-43,524	-57,629	-14,105	-32.4
Textiles and apparel	-446	-666	-666	-559	-162	397	71.1
Footwear	-9	-3	-8	-18	-29	-11	-62.6
Minerals and metals	-3,654	-4,350	-4,183	-5,801	-6,480	-678	-11.7
Machinery	6,073	5,396	5,240	4,981	5,879	898	18.0
Transportation equipment	-20,574	-18,730	-18,159	-20,886	-18,842	2,044	9.8
Electronic products	6,241	6,420	6,869	6,600	6,437	-163	-2.5
Miscellaneous manufactures	-2,172	-2,406	-2,440	-2,443	-2,083	359	14.7
Special provisions	-10,566	-11,423	-9,863	-9,274	-9,343	-69	-0.7
Total	-72,215	-67,975	-75,267	-92,492	-104,299	-11,806	-12.8

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.

expanding Canadian industrial production led to higher U.S. exports of these intermediate inputs.⁵

Higher petroleum prices contributed as well to the \$2.7 billion (48 percent) increase in U.S. exports to Canada of energy-related products, comprised of crude petroleum and refined fuel oil and gasoline. Although the United States is a major importer, it does export petroleum products as well.

U.S. imports

Slightly over half of the \$31.9 billion increase in U.S. merchandise imports from Canada occurred owing to higher energy imports (table CANADA-1). U.S. imports of energy products from Canada increased \$16.8 billion (34 percent) to \$66.1 billion in 2005. Natural gas was the leading energy product imported, followed by crude petroleum, refined petroleum, and electrical energy (table CANADA-2). A 46 percent increase in the average price of Canadian crude petroleum to \$54 per barrel in 2005, and a 44 percent increase in the price of natural gas to \$7.91 per thousand cubic feet boosted import values.⁶ The volume of imports from Canada of petroleum products (natural gas, crude petroleum, and refined petroleum) actually declined or remained unchanged from 2004.⁷

U.S. imports of chemical products from Canada rose by \$3.5 billion (16 percent) to \$25.5 billion. Higher prices of petroleum and natural gas (feed stocks for many chemicals and fertilizers) substantially increased the unit values of these imports. U.S. imports of fertilizers rose by \$718 million (41 percent) (table CANADA-2).

U.S. imports of transportation equipment, the single largest category of U.S. merchandise imports from Canada, increased by \$4.1 billion (6 percent) to \$77.2 billion. Imports of motor vehicles rose by \$1.8 billion (4 percent) to \$48.5 billion. Daimler-Chrysler models, GM models and a new Honda pickup truck assembled in Ontario were primarily responsible for the increase.⁸ However, bottlenecks in Michigan and Ontario border crossings, owing to heightened U.S. border security, may have impeded further increases in U.S. imports of auto and auto parts, according to the Big Five automobile producers in Canada: GM, Ford, Toyota, Honda, and Daimler-Chrysler.⁹

⁵ The production for all Canadian industries rose by 3.3 percent from January 2005 to January 2006 in seasonally adjusted constant Canadian dollars (1997), according to Statistics Canada.

⁶ See the Energy Products section for more details.

⁷ According to data of the Energy Information Administration, U.S. Department of Energy, U.S. imports of crude petroleum averaged 1.6 million barrels per day in 2005, unchanged from 2004. Imports of natural gas fell from 3.6 trillion cubic feet to 3.0 trillion cubic feet; and imports of refined petroleum products (mainly gasoline) fell from 522,000 barrels per day to 521,000 barrels per day in 2005. See the Energy Products section for more details.

⁸ See the Transportation Equipment section for more details.

⁹ U.S. Department of State, U.S. Consulate, Toronto, "Canada's Auto CEOs Discuss Border Infrastructure."

Table CANADA- 2
Leading changes in U.S. exports to and U.S. imports from Canada, 2001-2005

Sector/commodity	2001	2002	2003	2004	2005	Change, 2005 from 2004		
						Absolute	Percent	
<i>Million dollars</i>								
U.S. EXPORTS:								
Increases:								
ET009	Motor vehicles	12,846	15,486	17,193	17,918	20,404	2,485	13.9
MM025	Steel mill products	2,277	2,267	2,567	3,887	5,009	1,122	28.9
CH006	Natural gas and components	338	523	1,285	2,176	3,171	995	45.7
CH005	Petroleum products	1,358	1,240	1,432	1,725	2,605	880	51.0
ET004	Construction and mining equipment	1,327	1,249	1,524	1,926	2,650	724	37.6
ET002	Internal combustion piston engines, other than for aircraft	6,719	6,614	6,640	6,899	7,595	695	10.1
ET013	Aircraft, spacecraft, and related equipment	2,262	1,727	1,520	1,762	2,381	619	35.1
MM025B	Plates, sheets, and strips of carbon and alloy steels	920	1,021	1,112	1,791	2,389	598	33.4
CH041	Miscellaneous plastic products	3,393	3,568	3,766	3,983	4,523	540	13.6
ET012	Miscellaneous vehicles and transportation-related equipment	1,208	1,279	1,498	1,838	2,366	528	28.7
	Total	32,648	34,974	38,537	43,905	53,093	9,186	20.9
U.S. IMPORTS:								
Increases:								
CH006	Natural gas and components	16,817	12,647	20,043	21,535	29,357	7,822	36.3
CH004	Crude petroleum	10,121	11,196	14,086	18,888	24,120	5,232	27.7
CH005	Petroleum products	4,287	4,258	5,479	6,747	8,977	2,230	33.0
ET009	Motor vehicles	41,159	41,589	41,022	46,651	48,458	1,807	3.9
CH001	Electrical energy	2,681	1,160	1,382	1,261	2,479	1,218	96.5
CH016	Fertilizers	1,190	1,264	1,397	1,753	2,470	718	40.9
ET010	Certain motor-vehicle parts	8,592	9,685	10,564	11,142	11,842	699	6.3
MM037	Unwrought aluminum	2,919	2,658	3,008	3,507	4,197	690	19.7
MM037A	Primary and secondary aluminum	2,618	2,366	2,726	3,119	3,784	665	21.3
ET013	Aircraft, spacecraft, and related equipment	6,094	5,268	6,345	5,347	6,006	658	12.3
MM025	Steel mill products	2,222	2,784	2,693	3,700	4,334	634	17.1
AG002	Cattle and beef	2,187	2,289	1,271	1,209	1,816	608	50.3
	Total	100,887	97,164	110,016	124,859	147,840	22,981	18.4

Note.-Calculations based on unrounded data.

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

Bibliography (Canada)

OECD. *OECD Economic Outlook No. 78 - Statistical Annex Tables*.

http://www.oecd.org/document/61/0,2340,en_2825_32066506_2483901_1_1_1_1,-00.html (accessed March 16, 2006).

Statistics Canada. *Canadian Statistics*. <http://www40.statcan.ca/101/cst01/gdps04a.htm> (accessed April 18, 2006).

U.S. Department of State. U.S. Consulate, Toronto. "Canada's Auto CEOs Discuss Border Infrastructure and Regulatory Harmonization with Ambassador Wilkins (TORONTO 0786)," August 23, 2005.

U.S. Federal Reserve Bank. *Economic Data FRED*.

<http://research.stlouisfed.org/fred2/series/EXCAUS/95> (accessed March 16, 2006).