

Canada's trade with other regions was strongly influenced by the debt situations of a number of developing countries, by the continued weakness in petroleum prices, and by developing regional tendencies. There was an overall decline of 4 per cent in Canadian exports to South America. Imports from South America rose 12.6 per cent, contributing to needed foreign receipts. The most striking feature of trade with Africa was the decline in Canadian trade with the Customs Union of Southern Africa — a 58 per cent drop in imports and a 25 per cent drop in exports.

The commodity composition of Canadian trade

Canadian exports increased in 1987 in every major category except for that of end products, where there was a small decline, from \$52.7 billion in 1986 to \$51.9 billion in 1987. This decline in manufactured exports stemmed from a significant drop in exports of passenger cars and chassis and somewhat smaller declines in telecommunications equipment. There was a recovery in exports in most of these categories early in 1988.

Among the export categories that grew strongly in 1987 were lumber, wood pulp, crude petroleum, natural gas, copper, nickel, aluminum, inorganic chemicals, metal fabricated base products, agricultural machinery, and office machines and equipment. Wheat exports increased by \$400 million. On the other hand exports of iron ore and of sulphur declined.

Among imports there were strong increases in crude petroleum, coal, steel rods, metal fabricated base products, electronic computers, trucks, apparel and accessories, semiconductors, industrial machinery, plastic materials, paper and paperboard, medical supplies and equipment, aluminum, and aircraft engines and parts.

The structure of Canadian trade over this period continued to reflect some of the basic features of Canada's economic interdependencies. Manufactures featured somewhat more frequently in Canada's exports to the United States than to other developed regions, and were strongly influenced by activities under the Canada-U.S. auto pact. There were surges of trade in sectors such as aircraft and other transportation equipment that made rates of increase or decrease of little significance. There were fewer manufactures in Canadian exports to Asian countries than in those to other regions, reflecting, perhaps, the peculiarities of the local distributional systems as well as the ready availability of local products.

During 1987 the prices of Canadian exports rose on the average by 2.8 per cent, while the prices of Canadian imports rose by 0.6 per cent.

There was, in other words, a mild improvement in Canada's terms of trade.

Developments in trade policy

The cornerstone of Canada's foreign trade policy — the multilateral trading system — is based upon principles and objectives embodied in the General Agreement on Tariffs and Trade, and upon instruments and activities under the auspices of the Organization for Economic Co-operation and Development, the United Nations Conference on Trade

and Development and other multilateral and plurilateral organizations and informed groups. Canada was active in the full range of work of these bodies throughout the year under review.

General Agreement on Tariffs and Trade

The agenda of the Uruguay Round of Multilateral Trade Negotiations is the most comprehensive and ambitious yet undertaken to strengthen the GATT and to bring about further liberalization and expansion of world trade. Stated for negotiations are market access (e.g., tariffs, non-tariff measures, natural resource-based products, textiles and clothing); agriculture; tropical products; the GATT articles; safeguards; MTN agreements and arrangements; subsidies and countervailing measures; dispute settlement; trade-related aspects of intellectual property rights; trade-related investment measures; functioning of the GATT system; and trade in services. Substantive progress has been made and, in particular, significant negotiating proposals have been tabled on reforming agricultural trade.

Canada is participating in substantive discussions with China, Costa Rica and Tunisia with regard to their requests to accede to the GATT. The negotiations are at various stages. Tariff negotiations are underway with Costa Rica and Tunisia and are due to begin with China during the next year. Guatemala and Algeria have also indicated their intention to become parties to the Agreement. Work continued during the year to prepare the Canadian position for negotiating tariff and other concessions with these countries.

Organization for Economic Co-operation and Development

Canadian participation in the OECD was active during the year. As in previous years, agriculture and other trade interests were the focus of Canadian effort. At their annual meeting in May, OECD ministers made encouraging progress toward agricultural trade reform along principles that reflected key elements of the Canadian proposal on this subject. The ministers also reaffirmed their commitment to the Uruguay Round and to the provisions of the Punta del Este Declaration.

In addition to its continuing reviews of trade matters, the Trade Committee addressed several important issues, notably in support of multilateral trade negotiations, and continued its surveillance of trade policy developments in member countries. The conceptual work on principles and rules of a potential multilateral agreement on trade in services was substantially completed and similar work with regard to trade-related investment measures made progress. Trade with developing countries, with special reference to newly industrialized countries, and the question of the membership of the People's Republic of China in the GATT received increased attention during the year.

Since the launch in September 1986 of the new round of multilateral trade negotiations, the Uruguay Round, progress has been made on the full range of issues under negotiation. This reflects the need to counter protectionism, to address a deteriorating situation in world agricultural trade and to strengthen the GATT. The MTN Trade Negotiations Committee will meet at the ministerial level in Montreal, December 5-9, 1988, to conduct a review and to give direction to conclude the negotiations by 1990.