

is removed, then instead of 26% of GDP, Canadian merchandise exports represent about 22% of GDP.<sup>6</sup>

### 3. A Look at the Available Data

As a means of fostering a better understanding of the importance of trade to the Canadian economy, it is necessary to become familiar with the available trade data. Only then can one discover their limitations, and consider alternative methods for examining the role of trade in the economy.

#### 3.1 Customs Versus Balance of Payments

Canadian merchandise trade statistics are reported on a Customs basis and a Balance of Payments (BoP) basis.<sup>7</sup> Customs based trade statistics are developed from declarations that are filed with Customs when goods are exported from or imported into Canada.

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<sup>6</sup> Another more complex technique yields the same result. The following identity holds in the model:

gross industry output =  
total supply of commodities (including imports)  
+ direct & indirect effects on GDP  
+ indirect taxes less subsidies

Isolating direct output (exports) results in the following:

direct industry output =  
commodities used in direct production (including indirect imports)  
+ direct effects on GDP  
+ indirect taxes less subsidies levied on direct production

The only component of direct output that is isolated in the model is direct effects on GDP. The remainder is shared between commodity inputs and indirect taxes such that each accounts for 66% of their totals (to ensure the identity holds). Imports are then assumed to account for the same share of the supply of input commodities in the production of exports as they do in total production. The result is that imports account for 16.6% of exports, thus reducing exports again to 22% of GDP.

<sup>7</sup> The following explanation of Canadian international trade statistics is based on explanatory notes contained in Statistics Canada, *Summary of Canadian International Trade*, No. 65-001, Ottawa, February 1994, pp. 55-7.