

Canada's defence trade, yet protects sensitive commercial information entrusted to DFAIT on specific transactions in a highly competitive market.

In Table 3, each ECL category has now been subdivided into three subcategories: complete weapons systems, firearms and ammunition; support systems; and parts and components. The weapons systems category includes such items as light armoured vehicles (LAVs) or artillery ammunition, as well as firearms; the support-systems category embraces a wide variety of non-lethal support equipment, such as simulators, sonobouys, radar sets and radios; while the last category comprises all replacement parts and components for the other two categories. A new column gives a short summary description of the goods.

Otherwise, the layout of the tables and annexes follows the pattern of previous years: Table 1 lists the export of military goods by destination according to security groupings and income. Table 2 illustrates the export of military goods by destination with comparative figures for 1995. Table 3 shows the kinds of military goods exported to each country. Table 4 displays the global value exported for each ECL category. NATO and AFCCL countries are listed in Annex 1. Annex 2 lists the present members of the Wassenaar Arrangement. Descriptions of the ECL categories referred to in this report are provided in Annex 3.

The 1996 Annual Report includes the following noteworthy elements. Exports of military goods amounted to some \$459 million in 1996, down slightly from the adjusted figure (due to late reporting) of \$463 million exported in 1995. As in previous years, NATO and the AFCCL countries accounted for the major share — this year, 81.5 percent — of Canada's military exports. All other countries comprised 18.5 percent, a larger share than in 1995. High-income countries, based on the per-capita share of their gross national product (GNP), accounted for 85.5 percent of military sales, while only 1.7 percent went to low-income countries.

Canada's military-export totals are modest by world standards, in a sector that trades very large-scale items. Individual transactions, therefore, may have a disproportionate effect on statistics. Major fluctuations in totals from one year to another are often the effect of one or two large contracts. For example, the decrease in totals to Australia, Korea and Malaysia this year reflected the sale of a few big items in 1995, while the higher totals for Britain, Denmark, the Netherlands and Saudi Arabia reflect sales finally concluded in 1996. It is important, therefore, to consider the pattern of trade over a period of years rather than to draw conclusions based on a jump or drop from any one year to the next. In 1996, fully 44 percent of all reported exports involved two contracts for LAVs to Australia and Saudi Arabia. These two sales accounted for 75 percent of all transfers in the "weapons systems" columns of Table 3.

Even before the revisions to the format, Canada's Annual Report set the international standard in transparency in reporting military exports. We believe the revisions will provide a clearer understanding of the nature of Canada's military exports.