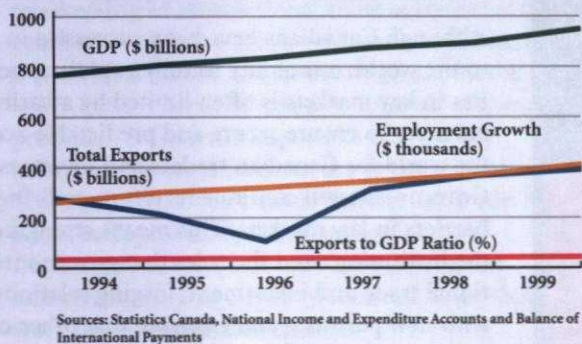


Dynamic Performance of Canadian Exports of Goods and Services

Canadian exports of goods and services reached \$409.8 billion, or 43.2 percent¹ of GDP, in 1999. This continued the dynamic performance of the past half decade, which saw trade grow by 9.1 percent on average. This trade performance was accompanied by solid growth and outstanding job creation, especially in the most recent period (see Figure 1).

Figure 1

Canadian GDP, Exports and Employment Growth, 1994-1999



Although much of the attention in discussions about trade is focussed on exports, the increased flow of imports actually facilitates export production. Producers benefit from lower prices from foreign suppliers and a greater variety of goods and services than are available in the domestic market. Not only are a wider variety and improved quality of goods directly beneficial to consumers, they also may enhance the efficiency of production to the extent that the variety and/or quality of intermediate goods contribute to productivity. In Canada, 1999 imports of goods and services totalled \$385.2 billion, an increase of \$26.2 billion, or 7.4 percent over 1998.

A number of developments contributed to an outstanding 1999 Canadian trade and investment performance. Investment Partnerships Canada continues to work to increase Canada's share of global direct investment by promoting strategic investments

in key economic sectors in Canada. Internationally, the economic picture remained mixed, but a clear improving trend is visible. The U.S. economy continued to maintain above-potential growth; the EU economies showed signs of firming growth; and the East Asian economy continued to rebound with surprising swiftness from the 1997-1998 downturn. The rally of world oil prices was also significant, and has led to the rise in the value of trade in the energy sector.

Canada believes that trade is vital in helping the global economy stabilize from the crisis of 1997-1998. As such, we have continued to participate actively in discussions to strengthen global rules and continue to pursue policies that will further liberalize global markets. We reported our objectives to the Standing Committee on Foreign Affairs and International Trade (SCFAIT) in November 1999 and are committed to continue to consult actively with Canadians in regard to ongoing trade policy development.

More and more, Canadians are recognizing the benefits of trade. They support Canada's role in international trade as long as it benefits Canadians as a whole, reflects our heritage of democracy and openness, and advances our quest for a just society. Economies that trade are more competitive, more dynamic, feature stronger productivity growth and witness rapid assimilation of technology.

Services Trade Continues to Grow

Canada's two-way trade in services was valued at \$104.9 billion in 1999, an increase of \$6.2 billion over 1998. The increasing share of trade in services relative to GDP indicates its growing importance to the overall economy. Exports of services as a share of Canadian GDP was up from 4.3 percent in 1994 to 5.2 percent in 1999, while the share of services imports to GDP was up from 5.8 percent in 1994 to 5.9 percent in 1999.

While the United States is Canada's single largest trading partner for services, its share of Canada's services trade is less than its share of merchandise trade. Between 1994 and 1999, the importance of the United States as a supplier of services to Canada has increased slightly from 60.6 percent to 61.5 percent. The EU, on the other hand, has maintained a stronger market share in services than it has in goods. Figure 2 presents the share of our partners in total exports and imports of services in 1999.

¹ Trade figures appearing throughout this document are preliminary figures released by Statistics Canada, February 18, 2000. Unless otherwise specified, all values are in Canadian dollars.