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Canadian trade flows through which an improvement in the current account balance could be effected. Nonetheless, large swings in trade with third countries also will be required. For example, achieving a one percentage point improvement in the current account deficit through offshore trade would require a 50 percent increase in exports to Western Europe, the Pacific and Latin America assuming no increase in imports from those regions. Since imports are likely to rise as exports rise, achieving the necessary swing in net trade and current account balances will require an even greater expansion of exports.

MEETING THE TRADE CHALLENGES?

Clearly the swings in trade flows that will be required to achieve a more sustainable current account position for the Canadian economy will require a dramatic shift in the marketing and product orientation of Canadian firms. The present private sector links with offshore markets and the public sector infrastructure that supports those private sector efforts will be tested severely in the balance of the 1990s. Indeed, the need for public sector support for trade promotion or advocacy of market access interests, is most acute when firms are attempting to break into new geographic markets or developing new marketing channels.

Canadian firms face particular challenges in breaking into the expanding markets in Asia-Pacific and Latin American countries. During the 1970s, when demand for resource commodities was expanding rapidly in Japan, Canadian exports across the Pacific expanded with only modest investment links -- there were modest investments in Canadian resource developments by Japanese companies. The 1980s were a time of transition when demand for Canadian resource exports in the Pacific Rim economies lagged while the economies on the western Pacific built up large trade surpluses with the United States. During the 1990s trade flows and investment links among the western Pacific economies are likely to continue to expand. For example, manufactured products constitute an expanding share of Japanese imports, but the main sources of those products are other Asian economies. At the same time, Japan's exports to, and investments in, ASEAN countries now exceed those of the United States.

Similarly, some of the Latin American economies have rebounded from the lost decade of the debt crisis with much more outward oriented economic policies following the path of the Mexican apertua. Through the NAFTA Canadian based enterprises have the equivalent opportunities for access to the Mexican market as U.S. based enterprises, but Canadian enterprises lag in translating these opportunities into effective market presence in Mexico. Nonetheless NAFTA has stimulated Canadian investment in Mexico and this could stimulate Canadian linkages with other Latin American economies.

Similarly Canada faces challenges in Europe. Many of Canada's resource-based exports to Europeans markets face new challenges because of environmental standards and regulations. Firms in Germany, Austria and other West European countries are well positioned to take advantage of emerging opportunities in Eastern Europe. Canadian trade