

2. THE IMPORTANCE OF EXPORTS TO CANADA'S ECONOMIC GROWTH

Since the founding of Canada, international trade has been one of the cornerstones of the Canadian economy. Canada's geographic trading patterns have evolved significantly over the past fifty years. During this period, the preeminence of the British Empire has disappeared, and the importance of our nearest neighbour, the United States, has almost doubled. Over the last decade, trade expansion towards Asia/Pacific has replaced Europe as a primary source of export growth and, most recently, new trading partners such as Mexico and a number of countries in Latin America have emerged as potentially significant trading partners of the near future.

In the 1982 to 1989 period, exports and investment were the two major driving forces that led Canada out of the 1982 recession into the high levels of economic growth experienced in the mid to late eighties. The record export performance in 1992 is a clear indication that exports will help to ensure that Canada's recovery from the 1990-91 recession will also be impressive. In fact, the outlook for future Canadian trade growth is so strong that some economists are predicting Canada's trade to grow at an average annual rate of four to five percent over the next twenty years, at least half again as much as growth in GDP.

In this Paper, we have used export data for the most recent year for which revised statistics are available (1991)⁵. Merchandise exports (customs basis) accounted for more than twenty percent of Canada's GDP in 1991. In that year, total Canadian merchandise exports amounted to \$145.7 billion (or \$137.3 billion once re-exports and non-business sector exports are excluded).

Exports and job support are almost perfectly correlated. More exports means more jobs for Canadians. Canadian companies produce products that are consumed both domestically and abroad. Canadian output supports a demand for goods and services that ripples widely from the industry producing the export to intermediate suppliers. This demand for goods and services, in turn, produces further ripple effects. The sums of all these direct and indirect ripples support employment. The greater the demand for exports, the greater the number of jobs supported by exports. In Canada, the demand for exports supports a substantial portion of the employment market.

⁵ Statistics Canada has just released revised 1992 international trade data.