

Some Insights

International trade has become an increasingly important part of the Canadian economy during the 1990s. Exports were a major source of economic recovery from the early 1990s recession and are increasing as a share of GDP. Imports have also grown rapidly in the 1990s, reflecting Canada's international integration and reliance on trade. In addition, a leading private forecasting agency's economic outlook for the period 1996 to 2000 predicts continued growth in real exports outpacing parallel growth in imports, implying that trade will continue to be an important part of the Canadian economy for the rest of the decade.²³ With the ratification of the NAFTA, Canadian trade policy has also reflected the growing importance of international trade to Canada.

It is necessary to recognize that growth in exports does not lead *de facto* to improved economic welfare and a rising standard of living for Canadians. Only renewed domestic economic growth can achieve the goal of improved economic welfare. However, without the strong growth in exports which occurred from 1992 to 1995, it is likely that economic growth and employment would have been even lower after the early 1990s recession than was the case.

As exports' share of GDP continues to increase, economic growth in Canada will become increasingly dependent upon the economic well-being of foreign countries, a factor over which domestic policy has little control. This is not to say that trade is detrimental; it can lead to greater growth, a higher standard of living, and higher productivity and employment. Good trade performance is necessary for Canada's economic well-being, particularly within the context of globalization and increasing international competition. It is, however, undeniable that Canada's increasing reliance on economic conditions in foreign countries to fuel demand for Canadian exports will require more intricate management of domestic economic policies. The line between domestic and international economic policies thins as economies become increasingly linked both by political agreements, such as NAFTA, and by economic measures, such as increased bilateral trade flows.

²³DRI/McGraw-Hill, *Canadian Forecast Summary*, Spring-Summer 1996. In addition, although expected to slow from the monumental growth rates seen in the past two years, real growth in exports and imports is still predicted to outpace both growth in domestic demand and GDP for the next five years.