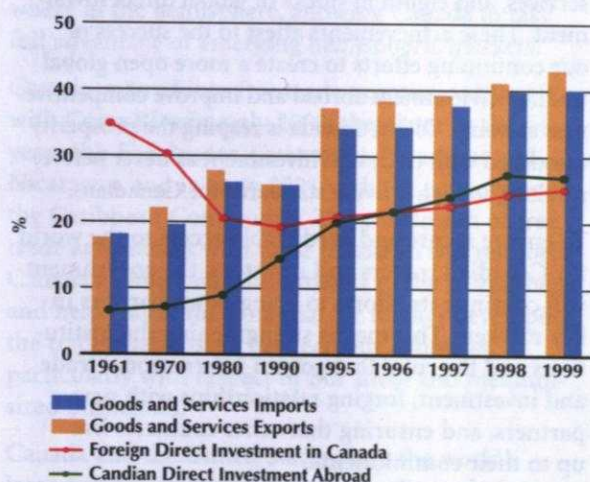


Central America. Canada is also exploring the prospect of negotiating a free trade agreement with Singapore. In all cases, the government's objective will be to ensure that Canada's traders and investors benefit fully from international trade agreements, and that the word "Canada" becomes synonymous with innovation, dynamism and excellence.

International Trade Trends

The importance of international trade and investment to Canada's economy is often expressed as the ratio of trade and investment to gross domestic product (GDP)¹. For exports of goods and services, the ratio showed a remarkable increase from 17.7 percent in 1961 to 43.0² percent in 1999 (See Figure 1). In the case of imports of goods and services, the ratio jumped over the same period from 18.2 percent in 1961 to 40.2 percent in 1999. Another indication of

Figure 1
Ratio of Canada's Trade and Investment to GDP



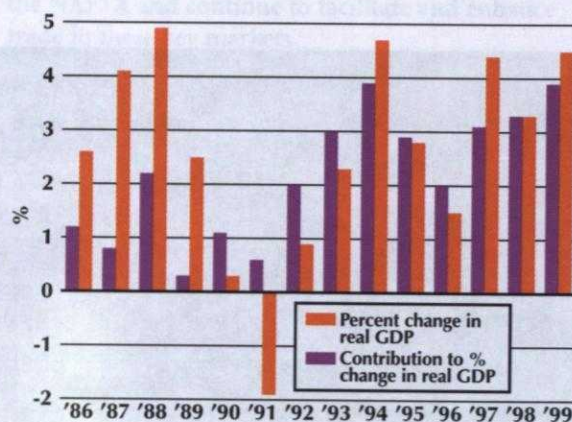
Sources: DFAIT, Statistics Canada

the increasing contribution of exports of goods and services to the Canadian economy is that the growth in exports represented much of the increase in Canada's real gross domestic product over the period 1992 to 1999 (See Figure 2). Reflecting structural adjustments within the global and Canadian economies, the commodity composition and the direction of Canada's trade has undergone substantial

¹ Canada's gross domestic product is the total value of all goods and services produced in Canada.

² Trade figures appearing throughout this document are preliminary figures released by Statistics Canada, February 21, 2001. Unless otherwise specified, all values are in Canadian dollars.

Figure 2
Contribution of Canada's Total Exports to % Change in Real GDP



Sources: DFAIT, Statistics Canada

changes. Over a span of three decades, Canada's trade shifted from resource-based sectors toward non-resource-based products such as machinery and equipment and, more recently, high-tech items. Export share (based on real or constant dollars) of non-resource-based products increased from 21.4 percent in 1971 to 64.7 percent in 1999 while their corresponding import share more than doubled (See Figure 3).

This structural shift is in part the result of multilateral tariff reductions, freer trade with our major trading partner, the United States, and other policies geared to stimulate manufacturing and knowledge-intensive industries. Moreover, the structural changes will continue into the early years of this new 21st century, as Canada's trade moves toward the knowledge and high-tech sectors with the growth in services trade also sharing this trend.

The top destination and sources of our trade have also shifted over time. For example, the United States, Japan, the United Kingdom and Germany have remained Canada's most important export destinations. In 1999, several of the other traditional top 10 export destinations have been displaced by the increased export appeal of China, Mexico and South Korea (See Table 1).

The United States has maintained the largest share of Canada's import market over the past 40 years. In that time, Japan, the United Kingdom, Germany and France, and to a lesser extent Italy, remained amongst the top 10 suppliers of Canada, keeping various portions of our import market through the decades. More recently, however, new suppliers have managed to carve