

Saudi Arabia and China:

Saudi Arabia and China present examples of nations whose imports are concentrated almost entirely in one stage of fabrication. China is Canada's fifth largest export market for raw materials, and Saudi Arabia is our sixth largest market for processed goods. China accounts for less than .04% of Canada's processed exports and Saudi Arabia accounts for less than .04% of our raw exports. The major difference between the two patterns is that China shows over 2000% growth* in her weakest areas (processed and semi-processed imports), while Saudi Arabia shows the greatest growth in its area of greatest strength, that of processed goods.

Conclusion

We seem to have increased the value added content of our exports significantly over the past decade. This change is somewhat hidden by the fact that inflation has been far greater in the price of those export products with the least value added to them. In addition, one notes a wide divergence between the performance of our exports in various otherwise similar countries. Consequently, trade with certain NICs more closely resembles that with certain EEC nations than that with other NICs. While our trade patterns with the U.S.A., the Netherlands, W. Germany, Venezuela, and Mexico are good in terms of value addition, those with Japan, Italy, China, and Brazil have been less impressive. If our value-added efforts are to be improved it remains to examine our export markets individually and to identify those requiring the greatest effort in the future. It should always be borne in mind, however, that all our efforts will continue to be affected by differential rates of price increases.

Another policy on which these results cast an interesting light is that of the "Third Option". The United States is responsible for 76% of Canada's processed exports. Venezuela, Canada's second ranking export market for processed goods, imports approximately 2% (see Appendix A). Thus, although our reliance on the US market has decreased slightly over the decade, it is still enormous. As has previously been mentioned this is increasingly true as the degree of processing of our exports increases. The USA helps our value added policy by providing a market for

* Beginning from a very low base