TABLE 2.
Impacts of Changes in BRIC Market Share

		1999	2007	2038 Constant 2007 MS	SCENARIO 1 0.1% increase in MS	SCENARIO 2 0.1% decrease in MS
Brazil	Market Share	2.0%	1.4%	1.4%	1.5%	1.3%
	Canadian Exports ($ bn)	1.4	1.8	10.9	11.6	10.1
	Competitiveness effect ($ bn)			-	0.8	-0.8
Russia	Market Share	0.6%	0.6%	0.6%	0.7%	0.5%
	Canadian Exports ($ bn)	0.2	1.3	7.9	9.1	6.7
	Competitiveness effect ($ bn)			-	1.2	-1.2
India	Market Share	0.8%	0.8%	0.8%	0.9%	0.7%
	Canadian Exports ($ bn)	0.5	1.8	53.3	60.1	46.6
	Competitiveness effect ($ bn)			-	6.8	-6.8
China	Market Share	1.4%	1.1%	1.1%	1.2%	1.0%
	Canadian Exports ($ bn)	3.5	11.7	234.2	254.6	213.9
	Competitiveness effect ($ bn)			-	20.4	-20.4
BRIC	Total Competitiveness effect ($ bn)			-	29.1	-29.1
Canadian Exports-to-GDP ratio (%)*		36.8	28.8	39.2	39.7	38.6

*Calculations based on adjusted top 20 countries' imports from Canada, and GI forecast.

countries, Canada stands to increase this ratio to 39.7 percent in 2038.

If our market share in BRIC countries continues to decline, we stand to lose: $20.4 billion worth of exports in China, $6.8 billion in India, $1.2 billion in Russia, and $770 million in Brazil.

These figures, based on GI forecasts for the growth of BRIC demand for merchandise imports, underscore the potential consequences for Canada of adopting a policy of active engagement in key emerging markets to benefit from the fast growth in these countries: thirty years hence, a 1 percent increase in our BRIC market share would be worth $290 billion in exports.

Canadian Trade With the Emerging Markets: Are We Missing Opportunities?

Given the rising importance of the emerging markets, and Canada's relatively large distance from most of them, a crucial question arises: Is our proximity to the United States (and, relatively speaking, to most of the OECD countries) preventing us from seeing the opportunities in the emerging and developing world? Are we, in effect, over-trading with developed countries and under-trading with the rest? This question can be answered by an inquiry into the roots and causes of international trade according to economic theory. We conducted this exercise by employing the widely used, intuitively appealing and empirically successful **gravity model**. The idea behind this model originated with Newton's law of gravity (hence the name), which simply states that the force of attraction between two objects is directly proportional to their masses and inversely proportional to the square of the distance between them. Similarly, in the economic context, trade flows between two partners are assumed to be positively related to their economic masses (GDP) and negatively to the trading distance. With some additional variables that help explain trade flows, this sets up a powerful and robust model—in the sense of explaining a large proportion of variation in trade