2.1 Asia-Pacific

The Asia-Pacific region has been Canada's most important export market, after the United States, since 1985. Although exports to the region have grown significantly, the even more rapid growth in exports to the United States has meant that Asia-Pacific's share fell to 9% in 1993 from 11% in 1973.[3] The importance of the Asia-Pacific region is more pronounced when the effect of export under-reporting to the region due to data quality problems, such as transhipment through the United States, is considered. Much of the more recent growth of Canadian exports in the Asia-Pacific region is due to increased sales to South Korea and the other newly industrialized economies of East Asia, rather than increases in exports to Japan or China.

Canadian exports to the Asia-Pacific region have tended to be in natural resource products.[4] In recent years, fabricated and raw materials and agricultural products have made up more than 80% of Canadian exports to the region. It might be assumed that, because these exports are not end products, such as telecommunications equipment, they are in some sense less valuable as exports. However, a recent analysis of the economic effects of different kinds of exports using Statistics Canada's input-output model of the Canadian economy suggests that Canadian exports to the Asia-Pacific region result in greater job creation per dollar of exports than Canadian exports to the EU or the U.S..[5] It is also worth noting that the jobs created pay fairly well. This analysis strengthens the case for the growing importance of the Asia-Pacific region to the Canadian economy.

Despite the greater importance of Asia to Canada's merchandise trade, Canada remains a marginal trading partner for Asian countries. For example, in 1993

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[3] However, Asia-Pacific's share of Canadian exports to countries other than the U.S. grew from 31% in 1975 to 42% in 1985 to 45% in 1993.

[4] Statistics on export composition are drawn from statistics on exports broken down by Sector Export Group (SEG) for the years 1988 - 1993 prepared for CPE by Statistics Canada. The SEG categories are: Live Animals; Food, Feed, Beverages and Tobacco (covering the whole range of food products from barley to whiskey); Crude Materials (mostly metallic ores); Fabricated Materials (predominantly processed resource products such as paper and refined metals); End Products (primarily machinery and consumer goods) and Special Transactions (a very small category compared to the others).

[5] This discussion of the economic impacts of export composition is based on James McCormack, **The Impact of Exports: An Input-Output Analysis of Canadian Trade**, Policy Staff Paper 24/94 (December 1994). The greater job creation impact is largely explained by the fact that exports of resource and resource-based products have very high Canadian content levels, whereas many non resource-based end products produced in Canada depend heavily on off-shore inputs, thus lowering their overall level of domestic content. Canada depends on off-shore inputs for products ranging from apparel to automobiles to computers to a greater degree than most other OECD economies.