

INTERNATIONAL EXPORTS AND JOB CREATION ³

1. INTRODUCTION

Exports have long been one of the main engines of economic growth and job creation in the Canadian economy. International trade has made Canada one of the world's richest and most envied countries. Canadians enjoy a high standard of living despite the fact that Canada has a relatively small population and, consequently, a small market for the output from domestic production. Canadians trade to take comparative advantage of domestic resources and to earn thereby an income to buy a greater variety of goods and services. The increase in income allows Canadians to have a life style that is higher and more enriching than many countries of equal size. In order to continue to serve world markets and to maintain a high standard of living, Canadians must be internationally competitive.⁴

Today, Canada remains a strong trading nation. Our reliance on and success in international trade explains much of the underlying strength of our economy. For example, more than 20% of our GDP is generated by merchandise exports. Trade is a key factor in the growth of the Canadian economy. Trade initiatives such as the Free Trade Agreement (FTA) with the U.S., and the forthcoming North American Free Trade Agreement (NAFTA) reinforce the role of trade as a key to future Canadian economic prosperity.

The strong expansion of Canadian exports in the last half of the 1980s, and into the 1990s, has contributed to increased employment within Canada. However, the details and structure of this job support are not well known. Although there have been a few internal Government reports of a general nature, little work has been done on the impact of exports on job creation for the last decade. This Staff Paper examines in detail the contribution of exports of goods to job support in Canada, using trade data for 1991.

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⁴ Keith Christie explores the impact of globalization on production processes, trading patterns, and trade negotiations in "*Globalization and Public Policy in Canada*", Policy Planning Staff Paper 93/01 (January 1993).