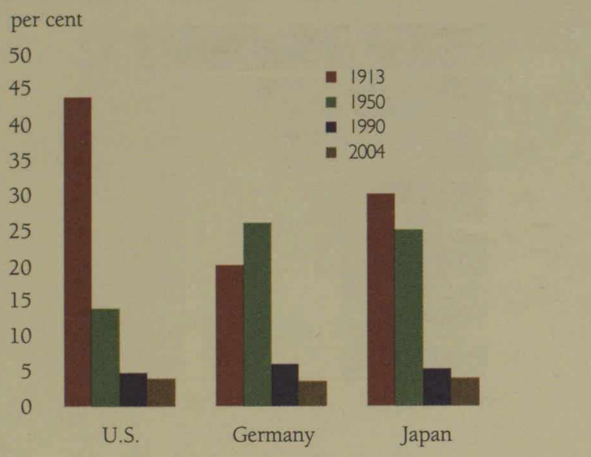
Duties as a Percentage of the Value of Manufactured Goods



Source: UNCTAD (1994) and WTO (2004) in Acocella (2005).

Reduced Barriers to International Trade and Investment and the Adoption of Market Oriented Economic Policies

The GATT was set up by 23 countries in 1948 and had increased to 128 by the time it became the WTO in 1995 and has since grown to 150 members. There are now more than 300 bilateral and regional trade agreements in existence, up from only 120 in 1995. The number of bilateral investment treaties has increased even faster, from 385 in 1989 to 1,857 in 1999 and to more than 2,500 in 2006.[20] The average tariff rates among OECD countries have fallen from around 40% just after WWII to about 4% in 1993.[21] But not all reductions in barriers to trade or movements of capital were done as part of joining the WTO or as a result of signing a bilateral free trade or investment agreement. Much, especially for many developing countries, was done unilaterally with the knowledge that such liberalizations would be good for their economies. By 1997 India had reduced its average tariff rate to 30%, from 82% in 1990, Brazil from 25% in 1991 to 12% and China from 43% in 1992 to 18%.[22] And it has not only been barriers to international trade and investment that have fallen but other pro-market reforms have been undertaken. For some it was the outright collapse of communism, others market reforms within a communist system and still others a shift from inward looking policies of import substitution to outward oriented growth policies.

Manufacturing

As of the end of 2006, the manufacturing sector employed just over 1.8 million Canadians, representing 12.8% of total Canadian employment. The manufacturing sector share of GDP was slightly higher at 15.9% reflecting higher productivity and wages in manufacturing than the national average. Salaries in the manufacturing sector averaged about $45,000 compared to the average for all industries of about $35,000. Manufacturing in Canada, as in most advanced countries, has been declining for a long time as a share of GDP and employment, although the value of manufacturing output has remained relatively stable. Some of the relative decline has been the result of outsourcing of services – services that were once considered part of manufacturing are now being done by separate companies and are thus classified as belonging to the services sector. Also, consumers in most advanced countries consume a greater share of services compared to manufacturing. The other main contributors have been productivity improvements in manufacturing that have allowed output to remain high while employing less people and finally the movement of manufacturing abroad.

Canada witnessed a short-lived rebound in the manufacturing share of the economy over the 1990s which peaked in 2000 at 19.0% as a result of the Canada-U.S. FTA and depreciating exchange rate.[23] More recently, the manufacturing sector in Canada

20 UNCTAD, World Investment Report 2006

21 "The Road to Cancun" OECD in Washington No. 45, July 2003.

22 United Nations, Human Development report 1999 "Globalization With A Human Face"

23 For more on this, see Curtis and Sydor (2005)