

Chapter 2

CANADA AND WORLD TRADE

Trends in Canada's international trade

The marked upswing in world trade that began in late 1983 after three years of decline and stagnation continued in 1984. The volume of global trade in 1984 increased by more than 8 per cent over that of 1983. The recovery was sustained largely by US imports and was most notable among the industrialized countries; the reduced capacity of certain developing countries to finance imports constrained their ability to trade.

Canada's trade surged in 1984. Exports expanded by over 24 per cent so that, in the 1984 calendar year, Canada's exports totalled some \$112.5 billion, an increase of \$22 billion over the previous year. Imports increased by close to 27 per cent, reaching \$95.8 billion in 1984, up \$20 billion over the preceding 12 months, thus giving a trade balance of \$16.7 billion in favour of Canada.

Regional trade patterns

The United States remained by far Canada's most important export market in 1984. Exports to the US in 1984 totalled \$85.1 billion, an increase of some 29 per cent over those of the previous year, and represented 76 per cent of Canada's total exports. Imports from the US amounted to \$68.5 billion (some 72 per cent of total imports over the same period) so that there was a surplus in trade with the US in excess of \$16.6 billion. Canadian exports to the US are 14 times greater than those to the next most important single market, Japan. The rise in Canada's exports was a response to a number of factors: the strength of the economic recovery in the US, the surge in US demand for automobiles manufactured in Canada, continued growth in exports of high technology goods and an improvement in Canada's competitive position. The staggering deficits that have resulted in the United States in trade with many partners have given rise to protectionist pressures in Congress, which have threatened Canadian export interests. Proposals have been made to restrict imports in a number of sectors, including softwood lumber and sugar products. Countervailing action was taken against imports of swine and pork with similar action being possible with regard to fish. Canadian steel and copper imports were threatened by special trade actions against which the Department, in co-operation with the industries and provincial governments, argued successfully.

Exports to Western Europe increased by 5.9 per cent to \$8.12 billion in 1984. Imports increased more, to \$10.07 billion, an increase of 33.5 per cent, so that the balance of trade moved substantially in Western Europe's favour. Western Europe's share of Canada's exports declined to 9 per cent in 1984, down from the level of the early 1960s when its share of Canadian exports was some 25 per cent.

Trade with the European Community recovered following the recession in response to the economic upturn. A number of trade-related actions by both sides affected Canada's commercial relations. However, the issue of the Community's unilateral decision to reduce its duty-free import quota for newsprint was resolved, as the two sides negotiated a settlement which provided for a level of duty-free access for Canadian newsprint acceptable to Canada.

Canadian exports to the USSR and Eastern Europe increased by 18 per cent in 1984 to \$2.48 billion, nearly equalling the record set in 1982. Of these exports, grain sales accounted for 80 per cent. Imports from the USSR and Eastern Europe increased by 20 per cent to \$302 million in 1984.

New markets in Asia and the Pacific have opened for Canada. The region has the fastest economic growth rate in the world and represents Canada's most rapidly growing export market. After the US, Japan is Canada's second-largest bilateral trading partner. Exports to Japan increased in 1984 by 19 per cent over 1983 to \$5.6 billion and sales of coal were up 53 per cent over 1983. Imports from Japan increased by 29 per cent over 1983 to \$5.7 billion, the motor vehicle, computer and telecommunications equipment and audiovisual sectors being particularly important. Not only did the steady decline in Canada's traditional trade surplus with Japan continue, but in 1984, for the first time in over a decade, Canada experienced a deficit. Imports of motor vehicles into Canada constituted the single most important trade issue, as the domestic market recovered and Canadian producers continued their efforts to adjust to changed consumer requirements.

After Japan, China remained by far Canada's largest market in Asia. Although exports declined in 1984 to \$1.27 billion, largely as a result of decreased sales of wheat, some items showed a substantial increase and exports of manufactured products more than doubled as Canadian marketing efforts have focused on China's modernization program. Trade with Korea grew rapidly; it was characterized by increased imports to Canada of automobiles and clothing and, on the export side, by a 30 per cent growth in coal shipments from Canada. There were modest declines in exports to Hong Kong while exports to the members of the Association of Southeast Asian Nations (ASEAN) increased by 19 per cent over 1983. Exports to Australia and New Zealand increased markedly in 1984, with gains of 41 per cent in the case of Australia and 54 per cent in the case of New Zealand. Both countries remained important markets for capital goods and other fully manufactured products.

Commercial relations with Africa improved greatly in 1984 after a difficult year in 1983 characterized by economic and financial problems in many African countries. Exports reached \$1.5 billion and imports \$1.1 billion. Despite