

PARTNERS IN TRADE

Canada is a trading nation, one of the world's great traders, in fact. We export more per capita than any of the world's major industrialized nations. The United States is our most important trading partner. Our trading relationship provides growing economic opportunities and work for millions of people in both countries.

Take the automotive industry. In 1986, the Canadian industry employed about 130,000 people and shipped \$34.4 billion worth of automobiles and parts to the U.S., both tariff free to a significant extent.

Look at our forest products industry. It employs about 300,000 people. In 1986, it exported about \$13 billion worth of products across the border.

These are but two examples of the significance of our trade with our neighbour.

Now look at the big picture. Trade between us has grown dramatically. In 1970, our commodity exports to the U.S. were about \$11 billion and our imports around \$9 billion. In 1986, our U.S. exports were worth \$93 billion (77 per cent of the total) and American imports into Canada were worth \$77 billion (69 per cent of the total). Our trade meant jobs for more than two million Canadians.

By the same token, Canada is the United States' largest trading partner and the American share of our market has been increasing, in contrast to U.S. export experience in other countries.

In 1986, more than a fifth of American exports came north into Canada. Two million American jobs depend on trade with us.

Altogether \$170 billion of commodity trade is done across our border and more than four million jobs are involved. An understanding of the sheer size of our trading relationship sharpens when compared with our trade with our second largest partner. Japan accounted for five per cent of our exports and seven per cent of our imports in 1986. The message is clear. Selling to the U.S. is vital to our economic well-being. And though the relationship is asymmetrical, the Americans have a great deal at stake too in the Canadian market.

The trade numbers merit close examination. In 1986, we exported \$50 billion in finished goods to the U.S., but imported \$55 billion, producing a deficit of \$5 billion. We also were in deficit on our special trade transactions account, exporting \$282 million, while importing \$1.35 billion.

But in other commodity categories Canada had a surplus in 1986. We exported \$30.1 billion in fabricated materials while importing only \$13.7 billion, a favourable balance of \$16.4 billion. We exported \$8.2 billion in

crude materials, such as oil and gas, and imported only \$3.4 billion for a surplus of \$4.8 billion. We exported \$3.9 billion in food, feed, beverages and tobacco, while importing \$3.2 billion. We exported \$308 million in live animals and imported \$150 million.

All in all Canada had a commodity trade surplus with the U.S. in 1986 of \$15.8 billion. But historically we have had an overall balance of payments deficit with it because of the deficit in services and investment transactions.

The spectacular growth in Canada-U.S. trade reflects progressive tariff liberalization under successive GATT deals. Canada has also benefitted from special bilateral trade arrangements in the auto industry and defence production. Our current negotiations are building on past efforts at freer trade.

We have left behind our old stereotype as hewers of wood and drawers of water to become an industrial nation whose manufacturing exports have risen in the past quarter century

