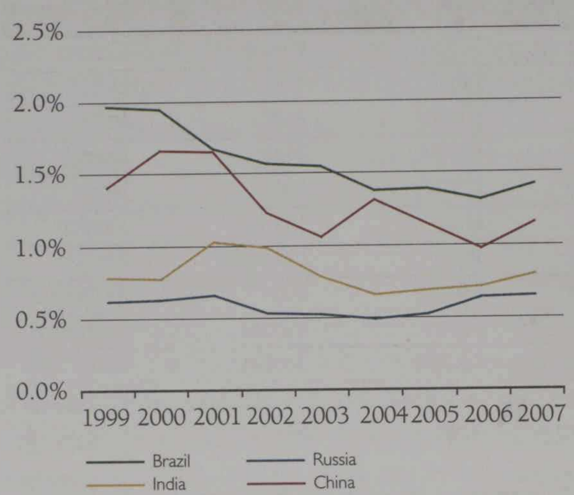
FIGURE 3.
Canadian Shares of BRIC Import Markets



market share analysis of Canadian exports to BRIC countries.

First, we compared the evolution of the total imports of BRIC countries with their imports from Canada.[14] For BRIC as a whole between 1999 and 2007, total imports have grown at an average annual rate of 17.8 percent (at current prices, in Canadian dollars), compared to 14.5 percent growth in imports from Canada[15]. This indicates that Canada's market share in these key emerging markets has declined, as shown in Figure 3. Note, however, that this is in line with Canada's overall merchandise exports falling significantly as a percentage of GDP between 1999 and 2007 (Table 2).

Had Canadian exports kept pace with the growth of the BRIC imports (i.e., assuming a "constant market share"), the increase in Chinese imports from Canada over 1999-2007 would have been approximately one third greater ($10.9 billion instead of the actual increase of $8.3 billion). Thus the overall competitiveness effect over 1999-2007 in China is equivalent to a $2.6 billion export loss; in Brazil, the export loss is $0.7 billion. This contrasts with small export gains in Russia ($73.5 million) and in India ($19.0 million). Retaining market share in these emerging markets is by no means easy, but given their projected growth in import demand, the rewards of doing so are immense.

How immense? Let us take a look thirty years into the future. To do so, we examined Canada's exports to the world (top 20 destinations for Canadian merchandise, representing 95 percent of our exports), and developed three possible scenarios for 2038 based on forecasts by GI for the size of BRIC import markets in that year. The first scenario assumes Canada is able to maintain its current market share in BRIC markets. The second scenario posits that Canada is able to increase its market share in these markets by a mere one-tenth of a percentage point.[16] The last scenario (pessimistic) is one whereby our market share decreases by one-tenth of a percentage point, continuing on its current downward path.

The results of this analysis are shown in Table 2. Overall, the potential effect of increasing our market share in BRIC countries by just one-tenth of a percentage point by 2038 is equivalent to $29.1 billion in extra export earnings in that year.[17] Moreover, if Canada is able to maintain its 2007 market share everywhere in the world, our exports-to-GDP ratio would increase to 39.2 percent in 2038 (exceeding the 1999 level). With an increase of just one-tenth of a percentage point in market share in BRIC

14 Note that data are from Brazil, Russia, India and China official statistical agencies. Trade figures were converted to Canadian dollars to conduct the analysis.

15 Growing regional trade among East Asian economies, particularly with China, is a contributing factor.

16 The choice of 0.1 percentage point allows this analysis to be scaled to larger increases or decreases proportionally. For example, the competitiveness effect of a fall in market share of 0.5 percentage points in China ($101.9 billion) would be five times as great as that of a 0.1-percent decrease ($20.4 billion).

17 Total gains depend on the dynamic path of the market share increase.