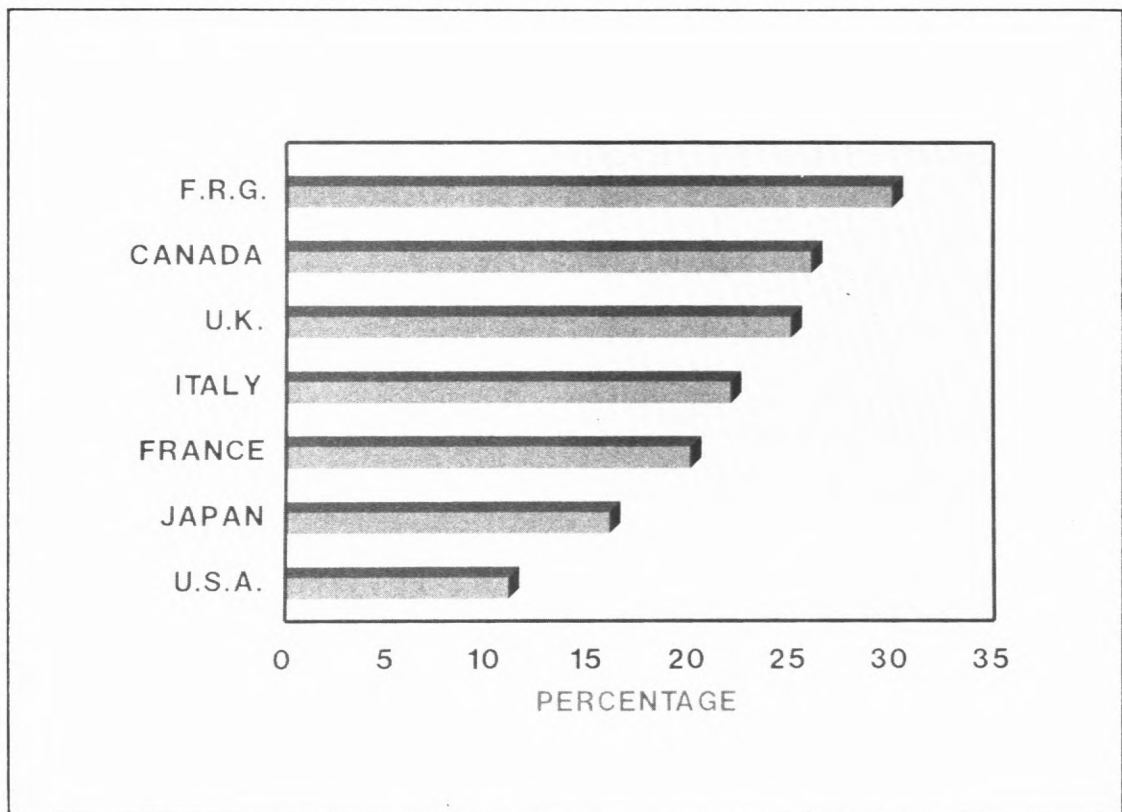


- the quality of our social system;
- our cultural well-being and our ability to afford national self-expression;
- our influence in the world, as an economic power, as a partner to poorer nations and as a voice on international political and security issues.

Our competitiveness in the world economy is vital to our influence in the world as an economic power.

Of the seven countries which participate in the annual Economic Summit meetings, Canada is the second most dependent on exports (28 percent of Gross Domestic Product), exceeded only by the Federal Republic of Germany. In contrast, our two main trading partners, the U.S.A. and Japan, depend considerably less on exports. Their domestic markets are much larger than ours and absorb a much greater proportion of their production. In 1984, we exported over \$4,000 per Canadian. (See Figure 5.)

Figure 5: EXPORTS AS A PERCENT OF G.D.P. – SUMMIT COUNTRIES, 1983



Source: OECD Data Base via I.P. Sharp, 1985.

Our dependence on trade means that we are economically secure only if we are internationally competitive.

Our dependence on trade means that we are economically secure only if we are internationally competitive. It is no simple matter to compare Canada's economic competitiveness with that of other countries. For example, exchange rate movements alone can have a dramatic effect on relative prices and, hence, on competitive positions. (Exchange rates also have a direct impact on real incomes and purchasing power.) But some comparisons can be made and they suggest, despite improvements in the past year or two, that we have some serious causes for concern about the underlying determinants of our international competitiveness.