

Table C-2. Average wholesale costs in Canada's merchandise exports by product type (per cent)

	Homogeneous	Referenced	Differentiated	Total
1965-69	2.1	3.6	2.7	2.8
1970-79	2.4	2.9	2.8	2.7
1980-89	3.3	3.2	3.2	3.2
1990-97	3.9	4.7	3.9	4.1
Growth (60s-90s)	87.1	33.0	45.1	47.2

Information costs (network)

Overall, the role of direct sales⁴ in total export sales has been declining; social and business networks shrink in importance for international trade (Table C-3). Falling information costs due to improvements in technologies for information dissemination, as well as increased transparency and better enforcement of international contracts in foreign countries, could be possible explanations. Nevertheless, direct sales remain significant for many highly specialized and time-sensitive differentiated and referenced products. Direct sales represented 12.8 per cent of total export sales for differentiated products, and 15.3 per cent for referenced products in 1997, but only 3.0 per cent for homogeneous products. The high proportion of direct sales for differentiated products suggests that networks are far more important for differentiated products than for homogeneous products⁵.

Table C-3. Direct export sales as a share of manufacturers total export sales (per cent)

	1962	1970	1980	1990	1997
Homogeneous	16.3	17.8	2.6	3.9	3.0
Referenced	15.6	11.7	12.1	16.9	15.3
Differentiated	32.3	12.6	10.9	12.9	12.8

Custom duties

Because of various trade agreements (the GATT/WTO, the Canada-U.S. FTA, and NAFTA), *ad valorem* custom duties for Canadian merchandise imports fell by more than a half to 4.6 per cent in the 1990s from 10.3 per cent in the 1960s⁶ (Table C-4). Across products, duty rates for resources-based homogeneous products were low even in the early 1960s; progressively reducing or eliminating tariffs for differentiated and referenced products had always been the focus of trade liberalization in goods. Between the 1960s and 1990s, tariff duties for differentiated products fell by 47.6 per cent and for referenced products by 60.9 per cent. These tariffs changes occurred in parallel with the broad changes in Canada's trade pattern over the entire period; that is, the rising share of differentiated products in total exports.

Table C-4. Ad valorem duty rates for total Canadian merchandise imports, in per cent

	Homogeneous	Referenced	Differentiated	Total
1965-69	2.2	13.9	9.2	9.3
1970-79	0.7	12.4	7.8	7.6
1980-89	0.3	9.9	7.1	6.8
1990-97	0.3	5.4	4.8	4.6
Growth (60s-90s)	-85.0	-60.9	-47.6	-50.5