

Figures for the first 6 months of 1984 show a trade surplus of \$9.9 billion on a balance of trade basis, and it is possible that the surplus could reach \$20 billion for the year. This increase over 1983 is the result of a combination of lower imports as the Canadian economy slows down. Thus, higher exports, while encouraging, cannot be viewed as entirely positive.

Two conclusions can be drawn. First, it is clear that this country's dependence on the United States as a customer for its products is increasing, despite efforts to diversify our sales over the years. Given our geographic proximity to the United States, and the recent changes in currency values which have made Canadian goods more expensive in almost all other countries, such a dependency may be inevitable, but does reduce our economic freedom to some extent. Second, the Canadian position is vulnerable to economic downturns in the United States. The strong support for free trade arrangements with the United States in the past has been a result of the fact that the United States is the largest market for our goods. It is not surprising that the Canadian balance of trade remained positive in 1983, despite a significant increase in imports. This reflects the economic recovery in this country, resulting in a decline in the trade deficit from \$1.5 billion in 1982 to \$0.5 billion in 1983. The Canadian balance of trade is still in deficit, but the deficit is much smaller than in previous years. This is a positive sign for the Canadian economy, but it also indicates that the Canadian economy is still dependent on the United States for its exports.

(\$ billions)

	1983	1982	Change
TOTAL	18.4	16.6	(1.8)
Exports	12.9	9.8	3.1
Imports	6.5	6.8	(0.3)
U.S.	5.9	5.1	0.8
Other Countries	0.6	1.7	(1.1)

The substantial increase in the surplus in the first 6 months of 1984 was more than offset by a decline in the surplus in the second 6 months. This is due to a combination of factors, including a decline in exports to the United States and an increase in imports from the United States. The Canadian balance of trade is still in deficit, but the deficit is much smaller than in previous years. This is a positive sign for the Canadian economy, but it also indicates that the Canadian economy is still dependent on the United States for its exports.