



# Statements and Speeches

---

No. 84/13

## INTERNATIONAL TRADE ENVIRONMENT

Notes for a Speech by Mr. Marcel Massé, Under-Secretary of State for External Affairs, to the Canadian Export Association, Toronto, October 16, 1984.

Today I want to outline for you some thoughts about the current international economic environment, and to explore some of the trade opportunities and challenges that government and the export community must face together.

### A brief look at the environment

Some recovery from the worst recession since the war finally seems to have taken hold. By the last quarter of 1983 there was an acceleration in world trade which seems to have continued at a hopeful rate during the first part of 1984. Consequently, the growth in world trade this year can be expected to be in the range of 5 per cent to 7 per cent in dollar value. In this context, the Canadian export recovery began earlier and has been more powerful. Total merchandise exports increased in value by approximately 7.5 per cent between 1982 and 1983. If we compare the first seven months of 1984 with the same period of 1983, we notice that the growth in value of Canadian exports has been an impressive 28 per cent, substantially above the expected growth in over-all world trade this year. The most notable aspect of this export-led recovery of the Canadian economy has been that the share of Canada's exports going to the United States has increased from 68 per cent to 76 per cent since 1982.

Lest we become too complacent, however, in the face of this export success, it is essential to look behind these figures. Some of the factors which have led to the growing importance of the United States market for Canadian exports may well be of a temporary nature. These include the remarkable strength of the United States recovery and the fact that much of the export success has been concentrated in one, albeit very important, sector — the automotive. In addition, there are already indications that the rate of growth of the United States economy, while remaining strong, has begun to moderate somewhat. Moreover, the American dollar is widely recognized as being substantially over-valued, a fact which can only encourage exports to that market. Such over-valuation cannot be indefinite.

Looking beyond the United States, it must also be said that Canada has been less successful in increasing exports to other world markets. Canadian exports to Japan did increase somewhat in 1983 and have increased again this year at a modest rate, but certainly well below levels that could be achieved in that enormous market. Canadian exports to the European Communities and all other markets actually declined in 1983 and are unlikely to witness much growth this year.

Indeed, the most striking feature of the current economic recovery has been the weak response of the world economy to the vigorous boom in the United States. On earlier occasions, increased export earnings, due to an initial recovery-induced rise of imports into the United States, spread the recovery