
The experience of Australia and New Zealand is relevant for Canada, as it too involves countries of quite different size: the Australian economy is seven times larger than that of New Zealand. Both Australia and New Zealand feel that trade liberalization has been mutually beneficial. In the most recent review of the CER Agreement issued jointly in August 1985, Australia and New Zealand concluded that: "Both countries have benefited from new trade opportunities created by the Agreement and there has been increased co-operation between the commercial interests in the two countries leading to a more effective use of resources in the area".⁽⁴⁾ And present indications are that Australia and New Zealand may broaden the CER to include some services.

(b) Canadian Experience with Trade Liberalization

In its 1985 report, the Royal Commission on the Economic Union and Development Prospects for Canada stressed the key role that trade has played in shaping and in strengthening the Canadian economy. The report stated:

"It is through the gradually increasing exposure of Canadian producers to competitive world market forces that the Canadian economy, as a whole, has become more productive. Trade and trade policy have also helped to improve Canadians' standard of living by expanding the markets for Canadian producers and hence the economic scale of their operations, by providing us with imported

goods that would be more expensive to produce domestically, and by improving the quality of employment."⁽⁵⁾

Canada has demonstrably shared in the general benefits of a more liberalized international trading environment, and of bilateral freer trade arrangements, over the postwar period. This can be seen in Chart 2 which shows average growth in per capita output and tariff rate reductions over the three 10-year periods between 1955 and 1985. The strong correlation between per capita output growth and tariff reductions over this period is particularly evident and supports the proposition that trade liberalization and improved economic performance go hand in hand.

The industrial structure of the Canadian economy has changed significantly over the postwar period, with manufactured goods and services now accounting for roughly 80 per cent of total Canadian production, while the utilities and construction sector and the resource-based sector each account for about 10 per cent of total production.

Trade liberalization has been particularly beneficial for the Canadian manufacturing sector, where the advantages of specialization and large-scale production are the greatest. Chart 3 shows that Canada's exports of manufactured products, as a share of its total exports, rose from 34.8 per cent in 1971 to 43.7 per cent in 1986. As Chart 4 demonstrates, the United States has become an increasingly important market

⁽⁴⁾ Ministry of Foreign Affairs, Government of New Zealand, *The Australian and New Zealand Closer Economic Relations Agreement*, Information Bulletin No. 15, Wellington, New Zealand: January 1986, p. 14.

⁽⁵⁾ Royal Commission on the Economic Union and Development Prospects for Canada, *Report*, Volume One, Minister of Supply and Services Canada, Ottawa: 1985, p. 234.