

The increase in exports of motor vehicles, engines and parts in 1983 was the result of the strong growth of the United States economy, and the automotive trade pact between the two countries which provides for free trade in this sector as long as certain conditions are met by the automobile manufacturers. Had either of these factors not been present last year and automotive exports had not increased, Canadian export trade would have grown by only \$1.7 billion or 2.0%, rather than the \$6.5 billion and 7.6% increase that was actually achieved.

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 require reassessment from time to time to determine if other options are available. Secondly, the very positive impact of the free trade arrangement in the automobile sector provides strong support for a move towards expanded free trade arrangements with the United States in other sectors, and also with other countries where potential benefits can be identified for both parties.

Although the merchandise balance of trade remained strongly positive in 1983, imports increased somewhat more than exports. This reflects in the economic recovery in this country, resulting in a decline in the total merchandise balance of trade from \$16.6 billion in 1982 to \$15.4 billion in 1983.

Balance of Trade

(\$ billions)

	<u>1982</u>	<u>1983</u>	<u>Change</u>
U.S.	9.8	12.2	2.4
E.E.C.	1.8	0.9	(0.9)
Japan	1.1	0.4	(0.7)
Other Countries	3.9	1.9	(2.0)
TOTAL	<u>16.6</u>	<u>15.4</u>	<u>(1.2)</u>

The substantial increase in the surplus with the United States was more than offset by declines in other areas, although it is noteworthy that the merchandise balance remained positive with both Japan and the European Economic Community.