

benefits and conveniences it has brought. As trade is liberalized, markets are expanded for producers, while new products and competition are introduced into domestic markets. The resulting allocation of resources toward the most efficient firms increases the economic well-being of society.

Some of the benefits exports provide to Canadians are straightforward. At the most basic level, they allow us to sell our goods and services and exchange them for foreign goods and services. They also help to support jobs in Canada, directly to those producing the goods and services, and indirectly to those in supporting activities to the producers of Canadian exports. Indeed, one in five jobs in Canada depend on exports, either directly or indirectly.

However, exports also provide other benefits that are not as readily apparent. For example, exports mean added production beyond that produced for the domestic market, which allows for economies of scale in production and lower average costs for producers, leading to lower prices to purchasers. Competing in export markets also means seeking out efficiencies and being innovative in all aspects of business. Rather than trying to produce many products, firms tend to focus and specialize in products or services where they have an advantage, resulting in an international division of labour and increased economic welfare. This also drives up the productivity of the firm and helps to increase the prosperity of the nation. Rising productivity allows firms to pay higher wages. Firms that rise to the challenges of the

export marketplace increase their production volumes and become larger. Following conclusion of the Canada-U.S. FTA, almost all Canadian manufacturing sectors exhibited some form of specialization, for example, by reducing the diversity of their output or switching from multiple-plant to single-plant operations. The ensuing efficiencies boosted Canadian manufacturing productivity by 13.8 percent, a remarkable trade-related achievement. Moreover, these exporting firms pay their employees a wage premium that cannot be explained after taking into account differences in relation to non-exporting firms.

As a small economy, Canada produces only a fraction of the goods and services it consumes and imports the rest. In a world devoid of international trade, it would be unrealistic to think that a country like Canada could make the necessary investments to produce the range of products and services it presently enjoys. In other words, our access to a broad variety of machinery, computers, and communications technologies, and to travel and entertainment, to name but a few, reflects our ability to sell Canadian-made goods and services in international markets. Open trade increases the variety of products available to Canadians and introduces new Canadian products to external markets; this presents both new trade opportunities and new varieties to Canadian and foreign markets. Trade liberalization also impacts a firm's pricing decisions by reducing mark-ups of price over costs, which helps to lower inflation in the country and keeps more money in the pockets of Canadian consumers.