

A Message

from

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Minister of Foreign Affairs and International Trade and
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As Canada's Minister of International Trade, it gives me great pleasure to present the 2008 edition of *Canada's State of Trade*.

This publication is now in its ninth year, and judging by its continuing popularity with Canadian and international audiences alike, it is fast becoming a trusted and informative gauge of Canadian trade and investment trends in the global context.

The Canadian economy achieved another year of solid growth in 2007, weathering turbulence in international financial markets and a slowing US economy. While these factors tempered Canada's growth performance towards the end of last year — and will likely continue to slow growth in 2009, both in Canada and internationally — the Canadian economy is well-positioned to withstand these pressures, thanks to strengths like low unemployment, the strongest fiscal situation in the G7 and our endowment of natural resources, which continue to be in demand the world-over.

The high Canadian dollar presents a special challenge for our economy. While its strength increases the spending power of Canadians and keeps inflation low, it also means that Canadian exporters' receipts are reduced in Canadian-dollar terms. The challenge for exporters is compounded by slowing demand in the United States, our number-one market.

At the same time, Canadian exporters are showing a great determination to adapt to these challenges. Exports continued to grow in 2007, and while this growth was concentrated in resource-based products, we also saw strong growth in manufactured goods going to non-US markets. Canadian firms have also shown a renewed flexibility to expand into faster-growing markets and adapt to new cost conditions.

While these achievements are remarkable, we cannot become complacent. Global competitive challenges will continue to increase in the years ahead. The same emerging economies that have driven the global boom in commodities are moving up the value chain and establishing themselves as fierce competitors in a widening range of sectors.