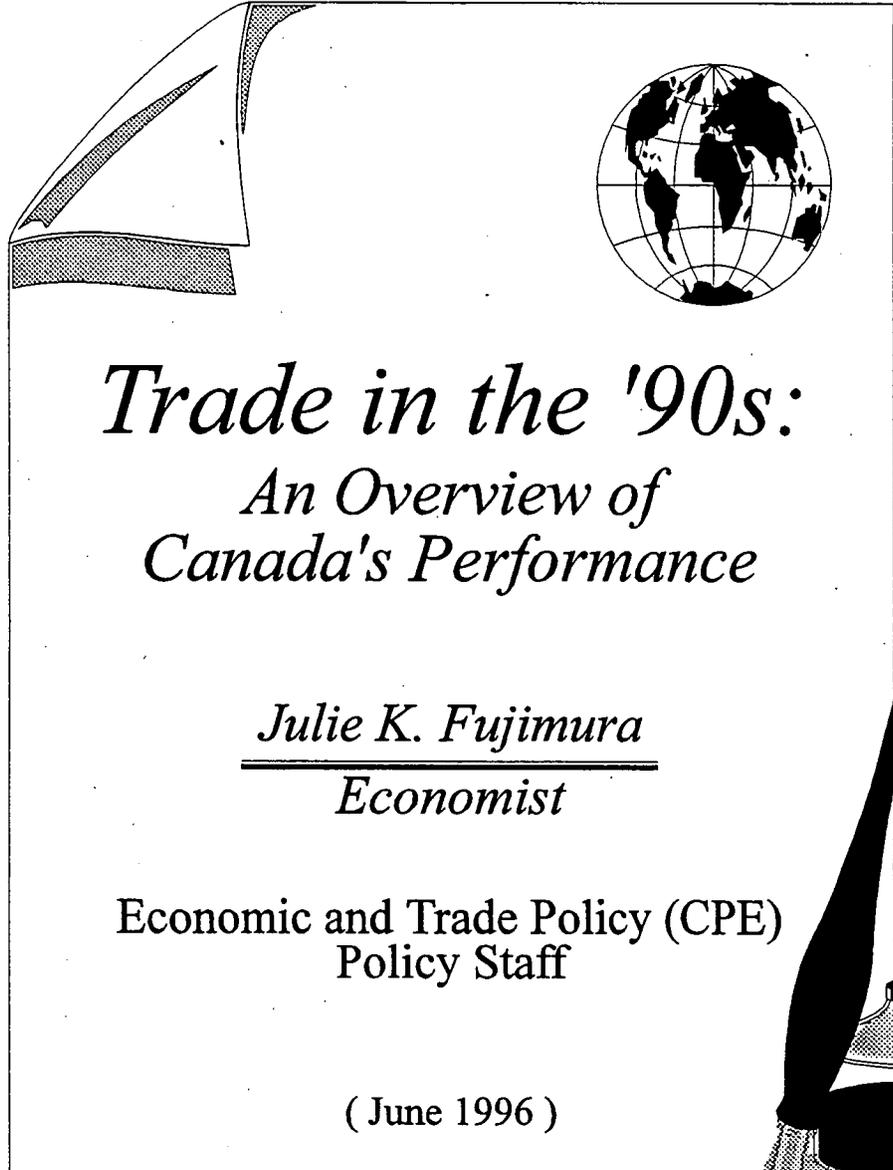


.b 2794445 (E)

CA1  
EA534  
96C15  
ENG  
c.1  
DOCS

Unclassified

# POLICY STAFF COMMENTARY No. 15

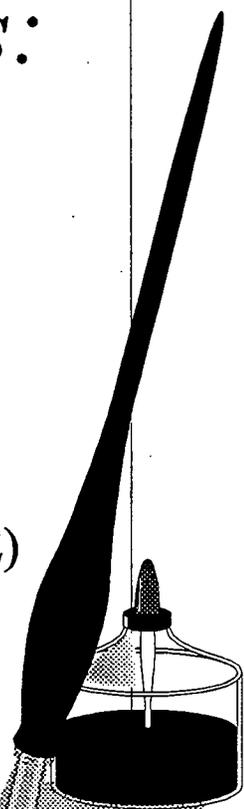


*Trade in the '90s:*  
*An Overview of*  
*Canada's Performance*

*Julie K. Fujimura*  
*Economist*

Economic and Trade Policy (CPE)  
 Policy Staff

( June 1996 )



Dept. of External Affairs  
 Min. des Affaires extérieures

JUL 22 1996

RETURN TO DEPARTMENTAL LIBRARY  
 RETOURNER A LA BIBLIOTHEQUE DU MINISTERE

Policy Staff Commentaries are short papers on issues of interest to the foreign policy community.  
 The views expressed are not necessarily those of the Government of Canada.  
 Comments or enquiries on Commentaries should be addressed to the author.

43 276 948

## Trade in the '90s: An Overview of Canada's Performance

International trade is becoming an increasingly important part of the Canadian economy. The 1990s have recorded "banner" years for both Canadian exports and imports, and exports' share of Canada's gross domestic product has increased steadily. With the effects of trade liberalizing initiatives such as the North American Free Trade Agreement (NAFTA) coming into play in the 1990s, it is useful to gain some insight into the current importance of trade to the Canadian economy. This Commentary gives an overview of Canada's merchandise trade for the period 1990 to 1995. This will provide context and a statistical reference point to Statistics Canada's monthly release of merchandise trade statistics. A longer-term analysis of Canada's trade performance compared to that of other countries is planned as future work.

### Measuring Trade

It is important to realize that, due to data collection problems, trade statistics cannot be considered a statement of fact.<sup>1</sup> They are, however, the best and most powerful tool for analysis when examining patterns and trends in international trade flows. There are several different measures of trade. The first distinction to be made is between merchandise and non-merchandise trade.<sup>2</sup> This Commentary focusses on international *merchandise* trade, which accounts for the bulk of Canada's international trade. As of 1995, merchandise trade accounted for 76 per cent of Canada's total international trade, with merchandise exports accounting for 82 per cent of total exports and merchandise imports, 70 per cent of total imports.<sup>3</sup>

---

<sup>1</sup>For a discussion of methodological problems relating to trade statistics see, A. Kester, ed., *Behind the Numbers: U.S. Trade in the World Economy*, 1992.

<sup>2</sup>Non-merchandise trade includes trade in services, investment income and transfers. The total value of Canada's non-merchandise trade was \$153 billion in 1995, about one-third the value of merchandise trade.

<sup>3</sup>Statistics Canada, *Canada's Balance of International Payments*, Catalogue no. 67-001.

Merchandise trade can be measured on a *balance of payments* or a *customs* basis.<sup>4</sup> Customs-based data are developed from declarations filed with Customs Canada. To obtain balance of payments-based data, customs-based data, which cover only the physical movement of goods, must be adjusted to cover all economic transactions between residents and non-residents to be consistent with the national accounts framework. Depending upon what type of information is required, using either basis might be appropriate. However, customs-based data are more readily broken down geographically and by commodity.

Total merchandise exports include both *domestic exports* and *re-exports*. Re-exports are goods of foreign origin exported from Canada but not produced or materially transformed in Canada.<sup>5</sup> Essentially, they are goods that are imported into Canada and re-exported without any value being added. Domestic exports are goods grown, extracted or manufactured in Canada, including goods of foreign origin which are materially transformed in Canada. Domestic exports, therefore, better reflect the impact of exports on the Canadian economy. When calculating trade balances, however, total exports must be used since there is no measure of imports comparable to domestic exports, i.e., there are no "domestic imports". Therefore, the trade balance needs to be calculated using these two "total" numbers to avoid overstating the impact of imports.

### **The Balance of Merchandise Trade**

The balance of merchandise trade is calculated by subtracting imports from total exports. On a balance of payments basis, Canada has recorded steadily increasing merchandise trade surpluses for most of the 1990s (Fig. 1).<sup>6</sup> In particular, the merchandise trade surplus almost doubled to \$28 billion in 1995, from \$15 billion in 1994. These increases in the trade surplus were not due to sluggish import performance, but to high export growth which outpaced concurrent growth in imports. In real terms, (controlling for inflation) the balance of merchandise trade has also

---

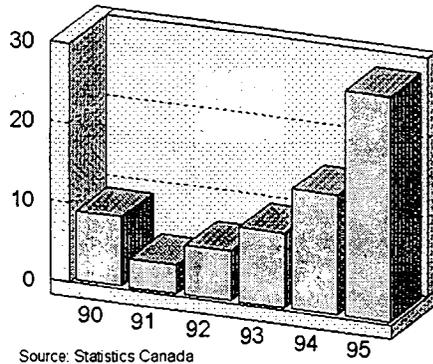
<sup>4</sup>Because of the nature of customs, customs-based trade statistics are typically more accurate at measuring imports than exports. For a detailed explanation of the different bases for trade statistics see Statistics Canada, *Canadian International Merchandise Trade*, Catalogue no. 65-001, Technical Notes.

<sup>5</sup>For a complete definition of domestic exports and re-exports see, Statistics Canada, *Canadian International Merchandise Trade*, Catalogue no. 65-001, Technical Notes.

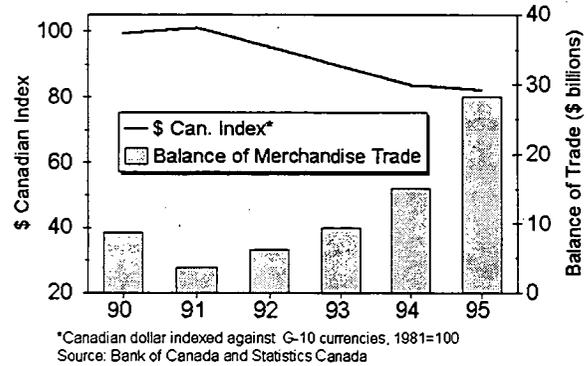
<sup>6</sup>The exception was 1991 which saw a \$5.1 billion fall in the trade surplus.

shown a surplus during the 1990s and has been increasing steadily since 1992, doubling to \$10 billion in 1995 from \$5 billion in 1994.<sup>7</sup>

**Fig. 1**  
**Canada's Balance of Merchandise Trade**  
(\$ billions)



**Fig. 2**  
**Relation Between the Value of the \$ Canadian and the Balance of Trade**



The decreasing value of the Canadian dollar has been cited as one of the factors behind the improvement in the balance of merchandise trade and the growth of exports in the 1990s. Figure 2 shows the inverse relationship between the value of the Canadian dollar and growth in the merchandise trade surplus.<sup>8</sup> In general, a falling dollar stimulates exports while curbing imports, leading to an improvement in the balance of merchandise trade. However, the large increases in the merchandise trade surplus in the 1990s cannot be wholly attributed to a declining dollar. Substantial productivity gains, enhanced international competitiveness and reduced bilateral and multilateral trade barriers (resulting from the FTA, NAFTA and WTO initiatives) also contributed to Canada's trade performance. Further, economic growth in the U.S., Canada's most important trading partner, averaged 5 per cent over the period 1990 to 1995, stimulating Canadian exports.<sup>9</sup>

<sup>7</sup>Statistics Canada, *Canadian International Merchandise Trade*, Catalogue no. 65-001, December 1995, pp. 20-21.

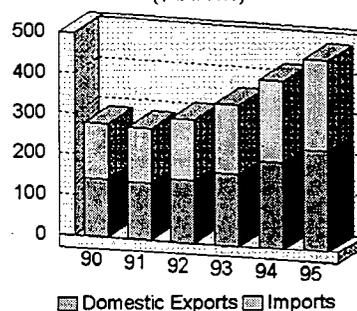
<sup>8</sup>In Fig. 2, the value of the Canadian dollar is given as an index against the weighted value of the currencies of the G-10 countries. An increase in the index implies an appreciation of the Canadian dollar.

<sup>9</sup>OECD, *OECD Economic Outlook*, December 1995.

As part of the trade balance, both exports and imports contribute to the calculation of Canada's gross domestic product (GDP). It is often (mistakenly) assumed that exports are "good" and imports are "bad" because exports add to GDP and imports are entered as a negative in the calculation of GDP.<sup>10</sup> Just as increased exports reflect increased foreign income (foreign demand) so do increased imports reflect increased domestic income (domestic demand). Imports must be either consumed, invested, or embodied in exports. If consumed, they contribute positively to the domestic standard of living by making more and cheaper products available to consumers. If embodied in investment, imports contribute to capital formation and long-term growth. If imports are embodied in products that are then exported, it is unlikely that these exports would have occurred without the imported inputs. In an economy such as Canada's, it would be highly costly to promote autarky in productive inputs. In addition, large flows of both imports and exports within the same industry reflect international integration in that industry, integration which is necessary for Canada's small, open economy. In this context, it is important to note that both exports and imports have been growing in tandem over the 1990s and that the commodity categories which dominate domestic exports also dominate imports (Table 1).

With high rates of growth in both domestic exports and imports in the 1990s, it follows that total merchandise trade has also increased dramatically over this time period (Fig. 3). Here, total merchandise trade is calculated by adding together domestic exports and imports, measured on a customs basis. Total merchandise trade has grown at an average annual rate of 10

Fig. 3  
Total Canadian Merchandise Trade  
(\$ billions)



Source: Statistics Canada

<sup>10</sup>In reality, both merchandise and non-merchandise trade are used to calculate GDP. GDP is calculated, on an expenditure basis, using the following identity:

$$GDP = C + I + G + (X - M)$$

where:

C = Personal expenditure on consumer goods and services

I = Business Investment

G = Government current and investment expenditures

X = Exports of goods and services

M = Imports of goods and services

per cent and has increased from \$278 billion to \$473 billion over the period 1990 to 1995. Because the growth of total trade takes into account both outward and inward trading relationships, it better reflects Canada's level of international integration than does the growth of exports alone.

		U.S.	Mexico	Japan	EU <sup>2</sup>	Asian Nics <sup>3</sup>	Other	Total World
Agri. & Fish Products	Imports	5.1	5.6	0.4	6.7	2.2	13.9	5.9
	Exports	4.9	32.3	24.4	12.4	7.9	25.5	7.9
Energy Products	Imports	1.2	2.1	0.0	7.6	0.1	17.0	3.6
	Exports	10.3	4.7	10.4	1.9	7.5	1.8	9.1
Forestry Products	Imports	1.2	0.0	0.0	0.2	0.1	0.6	0.9
	Exports	13.0	5.7	41.0	29.0	23.7	16.5	15.8
Industrial Goods	Imports	21.3	7.8	8.1	25.3	11.0	18.5	<b>19.9</b>
	Exports	17.4	13.8	18.0	28.3	37.0	26.0	<b>19.2</b>
Machinery & Equipment	Imports	32.2	24.5	52.8	38.5	59.9	21.0	<b>33.5</b>
	Exports	19.8	21.8	4.4	23.3	19.8	22.9	<b>19.5</b>
Auto. Products	Imports	27.9	55.4	28.2	6.6	2.5	0.9	<b>22.3</b>
	Exports	30.5	20.8	0.7	1.5	2.2	4.2	<b>24.7</b>
Consumer Goods	Imports	9.0	4.4	9.9	14.0	23.5	20.4	11.3
	Exports	2.7	0.8	1.0	3.4	1.8	2.7	2.7
Special Transactions	Imports	2.0	0.2	0.5	1.2	0.7	7.6	2.4
	Exports	1.3	0.1	0.0	0.2	0.1	0.4	1.1

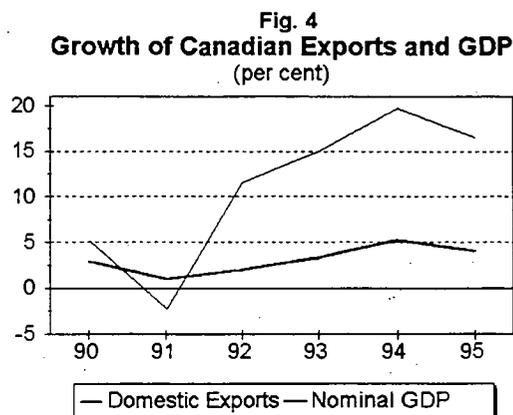
<sup>1</sup> Source: Statistics Canada

<sup>2</sup> EU includes: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom and new members (January 1995); Austria, Finland and Sweden.

<sup>3</sup> Asian Nics include: South Korea, Hong Kong, Taiwan and Singapore.

## Exports: Engine of Economic Growth

Domestic exports, measured on a customs basis, have been increasing rapidly since 1992, recovering from a slight decline in 1991 (Fig. 4). The average annual growth in total domestic exports for the period 1990 to 1995 was 11 per cent. This compares with an average annual growth in nominal GDP over the same period of only 3 per cent (Fig. 4). As a result, merchandise exports as a percentage of GDP have increased from 22 per cent in 1990 to 33 per cent in 1995.<sup>11</sup> This rapid increase in the value of domestic exports is not accounted for solely by increases in commodity prices and the depreciation of the Canadian dollar; the volume of exports has also been growing since 1992.<sup>12</sup>



With final domestic demand growing at an average annual rate of only 3 per cent in the period 1990 to 1995, it is clear that exports have been a major engine of economic growth in recovery from the early 1990s recession. Without growth in exports, recovery would likely have been more sluggish. Further, it is estimated that, on average, \$1 billion worth of merchandise exports supports approximately 11,000

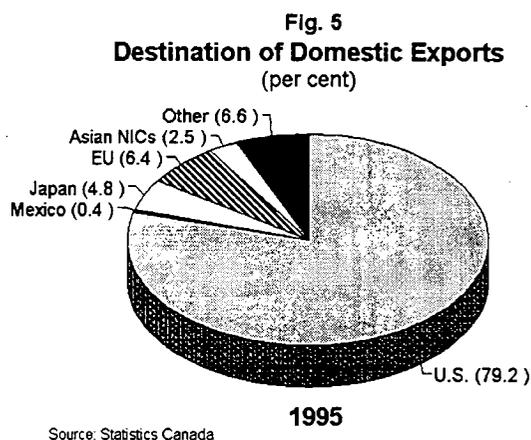
<sup>11</sup> Measured on a balance of payments basis. Statistics Canada, *National Income and Expenditure Accounts*, Catalogue no. 13-201.

<sup>12</sup> When commodity prices increase, this increases the value measure of Canadian exports. Likewise, when the Canadian dollar depreciates vis-à-vis the U.S. dollar, this boosts the value measurement of Canadian exports because they are denominated in U.S. dollars (i.e., \$U.S. 100 million of Canadian exports would be recorded as \$133 million in exports if the Canadian dollar were worth 75 cents U.S. but \$137 million if the Canadian dollar fell to 73 cents U.S.). See Statistics Canada, *Canadian International Merchandise Trade*, Catalogue no. 65-001.

jobs directly and indirectly in Canada.<sup>13</sup> Therefore, Canada's unemployment situation likely would be worse were it not for solid export growth in the 1990s.

### What Does Canada Export Where?

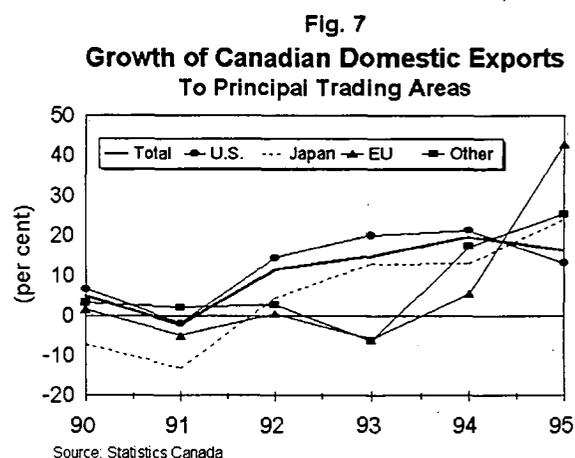
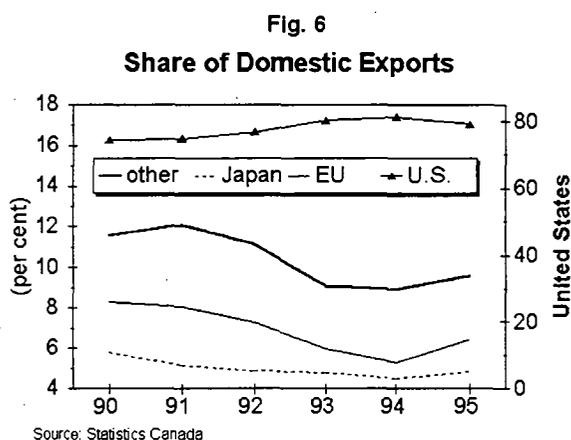
The importance of the U.S. as Canada's major export market cannot be overstated; it is Canada's largest export market by a substantial, and increasing, margin (Fig. 5).<sup>14</sup> In 1990, 74 per cent of Canadian domestic exports went to the U.S.. By 1993 that number had grown to 80 per cent, around which it has since hovered (Fig. 6). Average annual growth of exports to the U.S. from 1990 to 1995 was 12 per cent, almost double the average annual growth of exports to the rest of the world.<sup>15</sup>



<sup>13</sup>See, J. McCormack, *The Impact of Exports: An Input-Output Analysis of Canadian Trade*, Policy Staff Paper 94/24, Department of Foreign Affairs and International Trade, December 1994. This estimate is based on a static input-output model and has some limitations. The exact impact of export growth on job creation in Canada is not as straight-forward. The exact impact of export growth depends upon many factors, including the distribution of export growth by industry (because some industries create more jobs than others), the level of unemployment, the portion of the increase in exports due solely to price changes (including commodity prices and inflation), changes in the value of the Canadian dollar, and changes in productivity. In addition, if strong exports are offset by weak domestic demand, there might be no net job creation, but jobs could be maintained or sustained by the growth in exports.

<sup>14</sup>In Fig. 5, the Asian NICs include South Korea, Honk Kong, Taiwan, and Singapore. The EU includes Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, the United Kingdom and, new members in 1995, Austria, Finland and Sweden.

<sup>15</sup>Because import data are more accurate, Canada and the U.S. have been using each other's import statistics to determine their own country's bilateral exports since January 1990. However, it is suspected that, especially since the FTA, the final destination of some Canadian exports has been recorded as the U.S. when these goods were actually re-exported to third countries. A recent internal study by Statistics Canada for DFAIT investigated this problem but was unable to quantify the amount of over-counting of exports to the U.S.. It did, however, conclude that, "Canadian exports to non-U.S. destinations continue to be under-reported and are also being increasingly misallocated to the U.S.". Further work to quantify the problem would require negotiation with U.S. authorities.

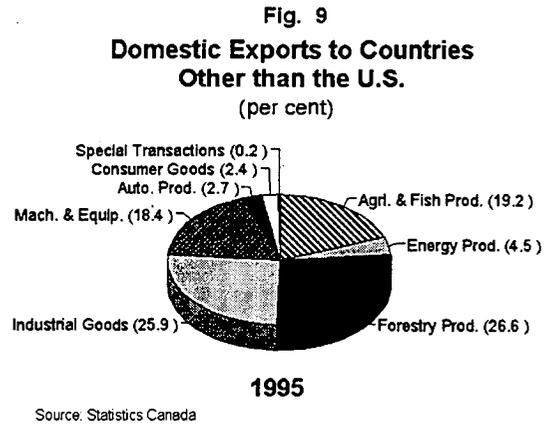
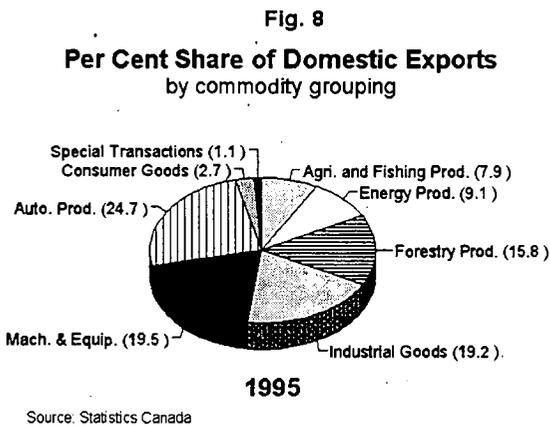


The share of Canada's exports to Japan was fairly stable at around 5 per cent for the first half of the 1990s, while exports to the rest of the world accounted for an average of 10 per cent of domestic exports for the period 1990 to 1995. The share of exports going to the EU had been declining in the earlier part of the 1990s but picked up in 1995 when exports to the EU grew by 43 per cent (Fig. 7).<sup>16</sup> It is not necessarily surprising that Canadian exports to the EU picked up later than those to the U.S. since the EU countries were later coming out of the early 1990s recession than was the U.S..

Exports of automotive products accounted for the largest share of total Canadian domestic exports in 1995, at 25 per cent (Fig. 8). This share was followed closely by machinery and equipment exports, at 20 per cent of total, and industrial goods exports, at 19 per cent. Exports of forestry products, energy products and agricultural and fish products accounted for 16 per cent, 9 per cent, and 8 per cent, respectively, of total Canadian domestic exports in 1995. Consumer goods accounted for only 3 per cent of the total. As of 1995, the U.S. purchased 98 per cent of

<sup>16</sup>As of January 1995, the EU expanded its membership to include Austria, Finland and Sweden. However, the rebound in the share of Canadian exports destined for the EU is not solely accounted for by the addition of new members to the EU in 1995. With the new members, the EU's share was 6.43 per cent in 1995. Without the new members, it was 6.10 per cent, still an increase over 1994. The same is true for the large increase in the annual growth of exports to the EU seen in 1995. With the new members, growth was 43 per cent in 1995, but without them it was still over 35 per cent, up from a 6 per cent growth rate in 1994.

Canada's total exports of automotive products, 90 per cent of exported energy products and 80 per cent of machinery and equipment exports.<sup>17</sup>



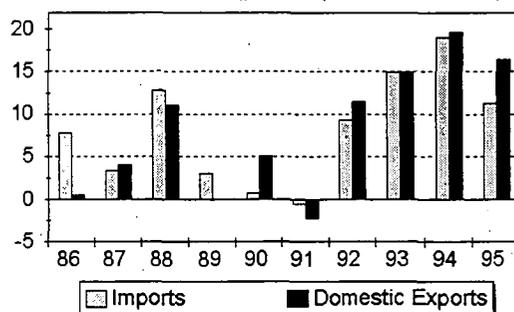
When the U.S. is removed from domestic export numbers, a somewhat different story emerges (Fig. 9). Forestry products were the most important Canadian export to areas outside of the U.S., at 27 per cent of total non-U.S. bound exports in 1995. Following, in order of importance, were industrial goods, agricultural and fishing products and machinery and equipment. Notably, automotive product exports comprised only 3 per cent of non-U.S. bound exports.

<sup>17</sup> However, 84 per cent of Canada's automotive product *imports* also come from the U.S.. The special relationship shared between the U.S. and Canada in the automotive industry dates from the Canada-U.S. Automotive Agreement of 1965 (which promoted bilateral "free trade" in automotive products) to the current FTA and NAFTA. For analysis, see P. Wannacott, "The Canada-U.S. Free Trade Agreement and the Auto Pact" in *Trade Monitor*, No. 2, March 1988, C.D. Howe Institute.

## Imports: Growth Reflects International Integration

Growth in imports during the 1990s, measured on a customs basis, has basically mirrored that of exports, but at a slightly slower rate (Fig. 10). Imports have been strong over this period, showing average annual growth of 9 per cent from 1990 to 1995.<sup>18</sup> This slightly slower growth of imports (vis-à-vis exports) can be at least partially attributed to slow growth of domestic demand due to slow recovery from the early 1990s recession.

Fig. 10  
Growth of Canadian Imports and Exports  
(per cent)



Source: Statistics Canada

Like exports, imports have also been growing faster than GDP in the 1990s. It is evident that at least some of these imports are being used as inputs in the production of goods that are, in turn, exported. As noted, the import content of exported goods reflects international integration and Canada's position as a small, open economy. If Canadian exports contain a relatively high proportion of imported inputs, then the importance of exports implied by Canada's high ratio of exports to GDP could be over-stated when compared to that of other, less import-reliant countries.<sup>19</sup> It has been found that Canadian manufacturers do rely more on imported inputs than manufacturers in France, Germany, Japan, the U.K. and the U.S..<sup>20</sup> However, taking import content into consideration, the ratio of merchandise exports to GDP, 33 per cent in 1995, would fall to around 28 per cent, still a significant figure.

<sup>18</sup>For the period 1990 to 1995, imports from the U.S. grew at a slightly higher average annual rate, 10 per cent, while imports from both the EU and Japan grew at slower average rates, 8 per cent and 4 per cent, respectively.

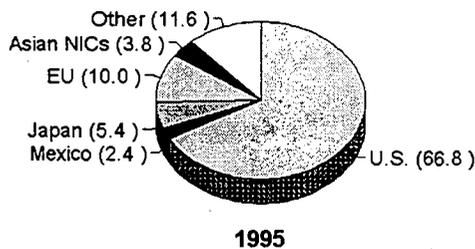
<sup>19</sup>It should be noted that although Canada's ratio of exports to GDP is the highest in the G-7, some smaller European countries' ratios are higher than Canada's. For example, in 1994, Canada's ratio of exports of goods and services to GDP was 33 per cent while that of Sweden was 37 per cent, Norway, 43 per cent and Finland, 35 per cent. Source: International Monetary Fund, *International Financial Statistics Yearbook*, 1995.

<sup>20</sup>J. McCormack, *op. cit.*, p. 15.

## What Does Canada Import From Where?

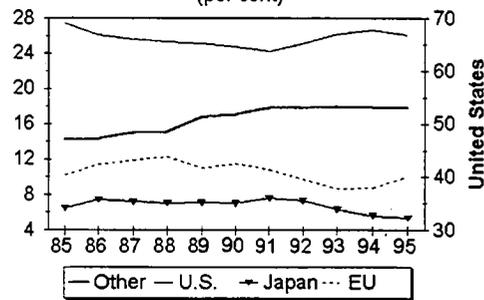
As with exports, the U.S. share of total Canadian imports (67 per cent in 1995) is the highest, although imports show somewhat greater geographic diversification (Fig. 11). The share of total imports coming from the U.S. has been increasing since 1992, experiencing a reversal of a trend of falling shares seen over the previous five years (Fig. 12).<sup>21</sup> The share of total imports coming from Japan has been declining since 1992, prior to which it was steady at around 7 per cent. In 1995, the share of imports coming from Japan was 5 per cent. The share of total imports from the EU also fell in the early 1990s, but levelled off by 1993 and rebounded in 1995.<sup>22</sup> The share of imports coming from all other countries has been markedly stable at around 18 per cent for the entire period of the 1990s so far, showing a slight increase from the five previous years during which it hovered around 15 per cent.

Fig. 11  
Geographic Origin of Canadian Imports  
(per cent)



Source: Statistics Canada

Fig. 12  
Share of Canadian Imports  
(per cent)



Source: Statistics Canada

Machinery and equipment imports dominated total imports in 1995 (Table 2), the bulk of these coming from the U.S. (64 per cent) but with significant amounts coming from the EU, Japan, the Asian NICs, as well as other countries (Tables 3). As with exports, the U.S. dominated as a source of automotive product imports. Industrial goods imports, the third most important category in 1995, were again dominated by the U.S., but the EU and "other" countries also provided significant sources. The only import commodity category not dominated by the U.S. was,

<sup>21</sup>However, in 1995, there was a slight decrease in the U.S. share of total imports.

<sup>22</sup>When adjusted for the impact of new members in 1995 (see footnote 16) the growth rate of imports from the EU was 15 per cent for 1995 and the share of total imports was 9 per cent.

predictably, energy products which was dominated by the "other countries" category which includes the Middle East and South America.

**Table 2<sup>1</sup>**  
Imports from Principal Trading Areas - Share by Commodity  
1995  
(per cent)

	Agri. & Fish Prod.	Energy Prod.	Forestry Prod.	Industrial Goods	Mach. & Equip.	Auto. Prod.	Consumer Goods	Special Trans- actions	Total
U.S.	5.1	1.2	1.2	21.3	32.2	27.9	9.0	2.0	100.0
Mexico	5.6	2.1	0.0	7.8	24.5	55.4	4.4	0.2	100.0
Japan	0.4	0.0	0.0	8.1	52.8	28.2	9.9	0.5	100.0
EU <sup>2</sup>	6.7	7.6	0.2	25.3	38.5	6.6	14.0	1.2	100.0
Asian Nics <sup>3</sup>	2.2	0.1	0.1	11.0	59.9	2.5	23.5	0.7	100.0
Other	13.9	17.0	0.6	18.5	21.0	0.9	20.4	7.6	100.0
<b>Total World</b>	<b>5.9</b>	<b>3.6</b>	<b>0.9</b>	<b>19.9</b>	<b>33.5</b>	<b>22.3</b>	<b>11.3</b>	<b>2.4</b>	<b>100.0</b>

<sup>1</sup> Source: Statistics Canada

<sup>2</sup> EU includes: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom and new members (January 1995); Austria, Finland and Sweden.

<sup>3</sup> Asian Nics include: South Korea, Hong Kong, Taiwan and Singapore.

**Table 3<sup>1</sup>**  
**Imports by Commodity - Share by Principal Trading Area**  
**1995**  
**(per cent)**

	Agri. & Fish Prod.	Energy Prod.	Forestry Prod.	Industrial Goods	Mach. & Equip.	Auto. Prod.	Consumer Goods	Special Trans- actions	Total
U.S.	57.5	22.3	89.2	71.3	64.2	83.5	53.3	56.4	66.8
Mexico	2.2	1.4	0.1	0.9	1.7	5.9	0.9	0.2	2.4
Japan	0.4	0.0	0.0	2.2	8.4	6.8	4.7	1.2	5.4
EU <sup>2</sup>	11.3	21.2	2.4	12.7	11.5	2.9	12.3	4.8	10.0
Asian Nics <sup>3</sup>	1.4	0.1	0.6	2.1	6.8	0.4	7.9	1.2	3.8
Other	27.2	54.9	7.7	10.8	7.3	0.5	20.9	36.2	11.6
Total World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

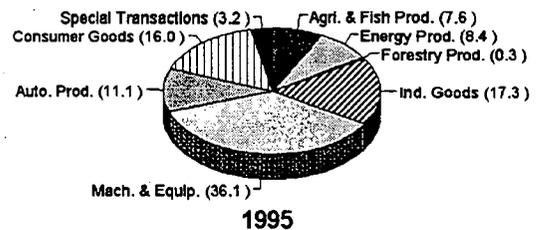
<sup>1</sup> Source: Statistics Canada

<sup>2</sup> EU includes: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom and new members (January 1995); Austria, Finland and Sweden.

<sup>3</sup> Asian Nics include: South Korea, Hong Kong, Taiwan and Singapore.

When the U.S. is excluded, the machinery and equipment commodity grouping still accounts for the largest share of imports into Canada, followed by the industrial goods category (Fig.13). Although automotive products are predictably negatively affected, in general there is not so great a difference when the U.S. is excluded from import data as when it is excluded from export numbers. This reflects the more diverse geographic origins of merchandise imports.

**Fig. 13**  
**Imports from Countries**  
**Other than the U.S.**  
**(per cent)**



Source: Statistics Canada

### Some Insights

International trade has become an increasingly important part of the Canadian economy during the 1990s. Exports were a major source of economic recovery from the early 1990s recession and are increasing as a share of GDP. Imports have also grown rapidly in the 1990s, reflecting Canada's international integration and reliance on trade. In addition, a leading private forecasting agency's economic outlook for the period 1996 to 2000 predicts continued growth in real exports outpacing parallel growth in imports, implying that trade will continue to be an important part of the Canadian economy for the rest of the decade.<sup>23</sup> With the ratification of the NAFTA, Canadian trade policy has also reflected the growing importance of international trade to Canada.

It is necessary to recognize that growth in exports does not lead *de facto* to improved economic welfare and a rising standard of living for Canadians. Only renewed domestic economic growth can achieve the goal of improved economic welfare. However, without the strong growth in exports which occurred from 1992 to 1995, it is likely that economic growth and employment would have been even lower after the early 1990s recession than was the case.

As exports' share of GDP continues to increase, economic growth in Canada will become increasingly dependent upon the economic well-being of foreign countries, a factor over which domestic policy has little control. This is not to say that trade is detrimental; it can lead to greater growth, a higher standard of living, and higher productivity and employment. Good trade performance is necessary for Canada's economic well-being, particularly within the context of globalization and increasing international competition. It is, however, undeniable that Canada's increasing reliance on economic conditions in foreign countries to fuel demand for Canadian exports will require more intricate management of domestic economic policies. The line between domestic and international economic policies thins as economies become increasingly linked both by political agreements, such as NAFTA, and by economic measures, such as increased bilateral trade flows.

---

<sup>23</sup>DRI/McGraw-Hill, *Canadian Forecast Summary*, Spring-Summer 1996. In addition, although expected to slow from the monumental growth rates seen in the past two years, real growth in exports and imports is still predicted to outpace both growth in domestic demand and GDP for the next five years.

LIBRARY E A/BIBLIOTHEQUE A E



3 5036 20083894 7

CA1 EA534 96C15 ENG c.1 DOCS  
Fujimura, Julie K.

~~Trade in the 1990s 13276019~~