UNIT 16 CANADA IN THE INTERNATIONAL POLITICAL ECONOMY

Structure

16.1 INTRODUCTION

Canada, with a population of over 30 million, is one of the largest economies of the world with a gross domestic product of **US$** 830 billion. It ranks sixth in the world in terms of standard of living as measured by the gross domestic product per capita. In its market oriented economic system and patterns of production, it closely resembles the US economy. The transformation of the Canadian economy from a largely rural into a major urban and industrial economy can be attributed to an impressive growth of various sectors like manufacturing, mining and service sectors. The US-Canada Free Trade Agreement of 1989 and the North American Free Trade Agreement (NAFTA) of 1994 has contributed to a dramatic increase in trade and economic relations with its neighbour, the **US.** Though it has experienced an economic recession in the first half of 1990, for a brief period, it was compensated by a quick recovery with the economy expanding by 4.5% in 1994, given its natural resources, capital and skilled labour force.

As of today, Canada's GDP growth stands at 1.7% with a purchasing power parity of $ 958.7 bn (according to 2004 estimate). Its services now account for 66% of the GDP and the industry accounts for 31%. Manufacturing remains as the single most important economic activity in Canada. It is also a leading mineral producer and exporter in the world.

In accordance with its International Policy Statement, Canada has outlined its commercial priorities through "increasing domestic and global prosperity by strengthening Canada's competitiveness, enhancing international commercial engagement with key partners and providing targeted services and support for Canadian businesses".

Through the Canadian International Development Agency (CIDA), the governments' prime agency for development assistance, it set priorities in the areas of good governance, health, basic education, private sector development and environmental sustainability. It reiterated its aid to a group of 25 development partner countries by 2010, committed to increase its international assistance by 2010 and most importantly, pledged to increase the assistance to Africa by 2008-09. The statement focuses on the Canadian efforts towards investing resources in key sectors and countries, and also towards providing the necessary expertise .for contributing to their development priorities.

Its trade priorities include "making Canada conducive for talent and investment, fostering mutual long term and rules based relationship with key trading partners and enhancing the ability of the Canadian firms to compete and prosper in the global economy".

16.2 PATTERNS OF THE CANADIAN ECONOMIC DEVELOPMENT

16.2.1 Agriculture

Agricultural sector has been an important component of Canada's economic development since decades and this sector generates 8.5% of its GDP. The export of agricultural and related food products amounted to nearly $21.7 bn, constituting 3.51% of the world agriculture food trade. Most of the important export items include vegetables, grains, daily products, oil seeds and meat products. The improvement in the infrastructure, equipment and farming practices led to an abundant production of agricultural products. About 406,900 jobs are created with 1.3% of the nation's population and 2.8% of the workforce being employed in this sector. Aroundl.5 million are employed in the food and beverage processing, food retail and services and related industries in the agricultural food sector.

16.2.2 Industry

Canada's industries are broadly categorised into manufacturing, resource, service and technology industries. Some of the important industries are aerospace and defence, automotive, apparels, chemicals, communication equipment, fabricated metal products, medical devices, oil and natural gas, pharmaceuticals, plastics, railway and shipbuilding material, fisheries, forestry, mines and minerals, hydrogen and fuel cells, commercial education and training, electronic commerce, health services, industrial security, legal services, logistics, marketing services, telecom, tourism, urban planning. information and communication technology, nanotechnology, ocean technology, water technology and biotechnology.

16.2.3 Energy

Canada's major energy resources include petroleum, natural gas, coal and hydro electricity. It has also been in the forefront in developing energy efficient fuels and renewable energy from the solar, biomass and small hydro projects. Infrastructure in petroleum and natural gas pipelines, retail gas services, distribution of electrical energy and thermal energy production are some of the activities being undertaken in order to make energy sector efficient.

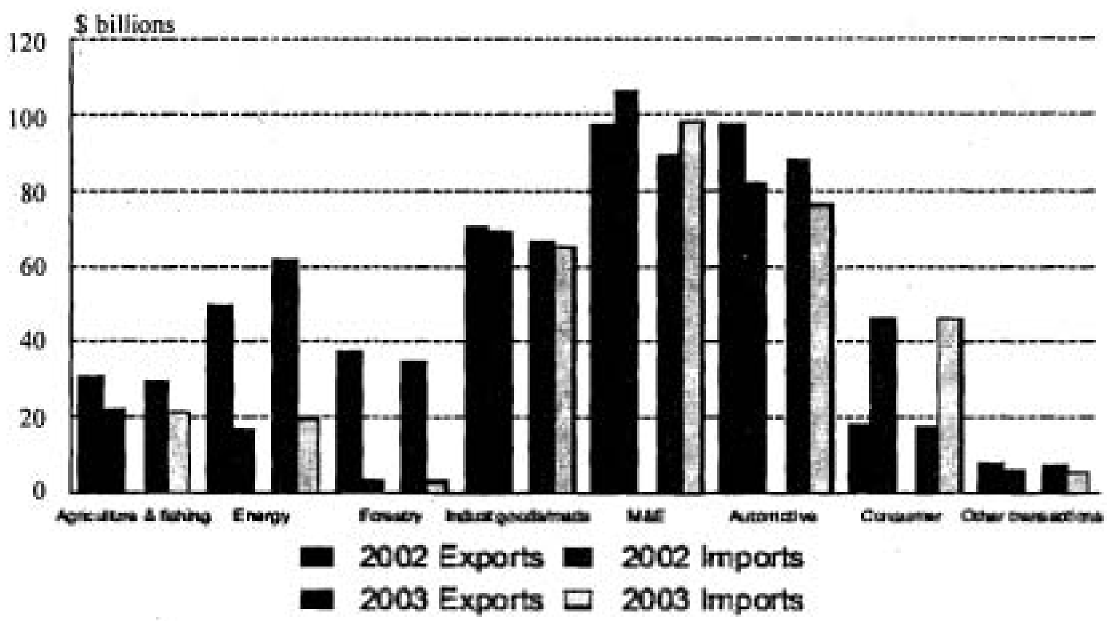
16.2.4 Mining

The mining industry contributes nearly 3.7% of the Canadian GDP and is one of the most important industries. Nearly 80% of these products are exported constituting 13.3% of the total exports. It is one of the major sources of economic activity and livelihood for many of the citizens and Canada ranks second in the world in the mining exploration investment.. "Natural Resources Canada" co-ordinates the activities related to mining for off-mine-site and on-mine-sites expenditure.

16.2.5 Transport and Infrastructure

Canada's unique landscape has rendered an uneven distribution of population and these geographical obstacles necessitated an effective transport system and infrastructure. This infrastructure facilitated the transfer of goods and resources to various parts of the nation and has played a significant role in maintaining a high standard of living. The improvement in the road, rail, air and marine transport has also facilitated the movement of skilled labour force making it cost effective contribution to the infrastructure as a whole.

Merchandise Trade by Major Categories, 2002-2003



16.3 CANADA'S TRADE POLICY

Canada's economy is one of the largest and strongest among the seven leading industrial countries in the world. It has the reputation of a successful trading nation and has maintained a high standard of living. Its abundant natural resources, coupled with skilled labour force and infrastructure, have contributed to a faster economic growth. Also, the growth of manufacturing sector, especially since 1950s, has transformed this nation form an agricultural and natural resources economy into a highly industrialised one. The rapid economic growth and expansion continued till late 1980s, after which it fell into recession in the early 1990s. The growth resumed in the last quarter of 1992 and after 1994, it expanded at the rate of 4.5%. Canada's economy can be termed as a liberal and transparent one though few barriers still remain in some key sectors. Yet Canada is one of the most open of the globe's major economies. Canada's economic development can be attributed to its exports of raw materials. It is the world's fifth largest exporter and importer-trade is equivalent to more than 70% of its gross domestic product (GDP). The growth of exports is due to factors like low inflation and reduced interest rates. An increased output in sectors like mining, communication and financial services have also helped in the growth of its exports. The various governments of Canada have remained committed to enhance the well-being of the Canadians through effective social and economic policies. The aim was to ensure: (i) an innovative and knowledge based economy (ii) fair market place (iii) income security and employment for citizens and (iv) strong regional economic growth (Report of Treasury Board of Canada Secretariat). The governments have been instrumental in making right investment and creating favourable conditions for rapid economic expansion-both domestic and international.

16.3.1 Domestic Economy

For the last one decade, Canada has been experiencing a continuous economic growth. Canada has been one of the largest producers of a variety of minerals; (its forest products and commercial fisheries also account for a major source of revenue). Globalisation of markets and liberal trading regimes has had a profound impact on the Canadian markets. Advances in technology and communication links, knowledge intensive industries and high technology infrastructure have expanded the domestic market dramatically. Manufacturing, agriculture, forestry mining and construction industries have registered encouraging growth rates during the last decade.

Rise in Economic Growth

The year 1999 has especially been a landmark year for a prosperous economy. The service sectors too had undergone tremendous rise with three out of four Canadians being employed in this sector, thus generating two thirds of the GDP. The year 1999 also. marked eighth consecutive year of economic growth with a GDP of $ 783 billion and a growth rate of 4.3%. While the agricultural sector had to struggle with weak grain prices, the resourced-based industries posted significant gains.

Productivity and GDP

During the 1990s, there was 84.9% average capacity utilisation rate for industries, higher than any other period in the Canadian history. The labour productivity during this time grew at 1.4%, with 2.1% in the goods sectors and 1% in the service sector. Agriculture, too had a higher productivity level at 13.4%, forestry 7.2.%, Communication industries 6.8%, wholesale trade 5.2.% and mining 4.5% all through the decade. The GDP per capita figure stood at $29,300 (higher than Japan, France, Germany, UK and Mexico). The purchasing power value of the Canadian dollar stood at more than 25% of the recharge rate as predicted by the market.

Balance of Payments

For most of the 1990s, Canada registered a negative balance of payments but in 1999, the current account deficit narrowed down to $3.4 bn as compared to $16.3 bn in 1998. A surplus trade balance (with the US) stood at $60.1 bn, with positive gains in the sectors of agriculture, forestry, energy and automotive sectors.

Employment

During the last decade, more than one million new jobs have been created in Canada. There was resurgent growth in the manufacturing sectors, especially the computers and other electronic goods; trade, transport, scientific, professional and technical services also expanded significantly. Provinces like Ontario and Quebec saw a tremendous increase in the employment opportunities apart from Alberta and New Brunswick. Though the overall unemployment rate came down to 6.8 %, it varied from one province to another.

Knowledge Sector

The trend towards modernisation and expansion of the Canadian economy has been set by the knowledge workers. With globalisation and liberalisation, many of these workers were instrumental in making the Canadian economy competent both within and across the borders. The growth of service and high-technology industries saw an increase of 61% of scientific and technical professional workers, particularly in the service sectors. This had impacted the Canadian labour market significantly with the creation of almost 1.8 million jobs for these workers. This had also helped in inducting professionally trained immigrants, thus making the Canadian industries meet their labour demands and requirements.

16.3.2 Bilateral, Regional and Multilateral Trade

Bilateral Trade

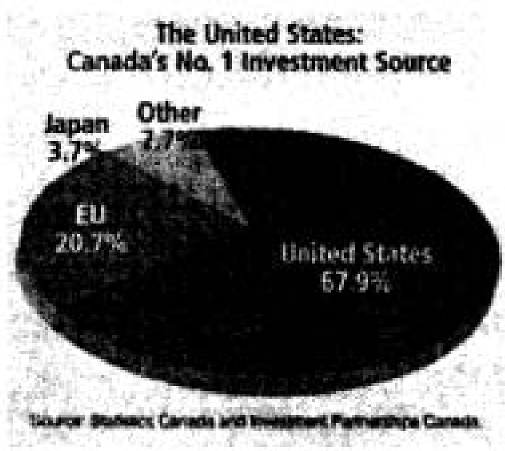
In 1994, Canada entered into a free trade agreement with the US and Mexico, launching the North American Free Trade Agreement (NAFTA). The trade with the neighbouring US had facilitated the expansion of the economic growth in Canada and today, NAFTA is recognised as one of the most important trade blocs in the world. The agreement has given rise to the standard of living of the citizens, laid a strong foundation for economic growth and helped in reaping the benefits of trade liberalisation.

NAFTA has enabled Canada to increase its exports to the US, with the Canadian manufactures exporting more than half of their produce to the US. Almost 86.6.% of total merchandise exports go to the NAFTA trading members and according to Department of Foreign Affairs and International Trade (DFAIT) estimate, nearly **2.3** million jobs have been created in Canada representing a success of 17.5% of employment levels. One of NAFTA's most significant effects has been the change in its relationship with Mexico: it is now its sixth largest export market and it is Mexico's second largest. (In 1990, Mexico was Canada's nineteenth most important export market and Canada was Mexico's seventh largest). Canadians and Mexicans no longer see one another as the neighbours of their US neighbour, but as two countries enjoying ever deeper people to people and commercial ties. Canada is also involved in bilateral trade agreements with Costa Rica (CCRFTA). There also are Canada-Singapore Free Trade Negotiations, and Canada -Chile Free Trade Agreement (CCFTA).

Trade Relations with the US

Not withstanding the disputes over trade tariffs, Canada is the largest trading partner of the US. The bilateral trade amounts to more than $ 1.4 billion and this was more than the US trade with all the Latin American Countries; US exports to Canada exceed those to tht EU. Canada is a major export market for nearly 35 of the 50 US states. As mentioned above, NAFTA increased the bilateral trade by almost 40%, and catering to the needs of around 406 million people of the three North American countries. Automotive sector constitutes the largest component of the bilateral trade that rose to $ 104.1 billion in 1999. US is also Canada's leading agricultural market, with nearly 1/3rd of the food exports; Canada is the second-largest US agricultural market importing vegetables, fruits and livestock products; 2/3rds of Canada's forest products like pulp and paper are exported to the US. Canada is also the US's largest trading partner in the energy sector and the primary energy components include oil, natural gas and electricity. Canada is the US's largest oil supplier, providing about 16% of US oil imports and 14% of total US consumption of natural gas. The US is Canada's largest foreign investor and the FDI was estimated at $ 116.7 billion or about 72% of total FDI in Canada at the end of 1999. The US investment is primarily in the sectors of mining, chemicals, petroleum, machinery and transportation equipment and finance.

Likewise, Canada is the third largest investor in the US, with the investments in US amounting to $90.4 billion at the end of 1999. Canadian investments are concentrated in manufacturing, real estate, finance, insurance etc. Both the countries are moving ahead to reduce trade barriers and establish agreed upon rules to remove some of the major irritants in the bilateral trade. It was agreed upon to liberalise rules in the areas of agriculture, energy, services, finance, investment and government procurement.



Regional Trade

Canada is also an important trade partner of the regional economic groups like APEC. Through, its association with this bloc, Canada intends to enhance its trade and investment liberalisation and facilitation and economic and technology cooperation. The Asia-Pacific markets are important for Canada as the former has an enormous potential growing markets for the capital, intermediate and consumer goods and services. The government and private sectors alike are a major source of foreign direct investment; Canada's exports to APEC consisted of reference-based, semi-processed material such as wood pulp, paper, cereals, minerals and fertilizers. Though Japan has been the second largest trading partner, Canada intends to cover up its trade deficit with the other economies of the region. Canada's trade agreements also include the following: Canada-Free Trade Area of the Americas (FTAA), Canada-Central America Four Free Trade Negotiations, Canada-CARICOM Free Trade, and Canada-European Free Trade Association (EFTA).

16.3.3 Canada and European Union

European Union is Canada's second largest trade, investment and innovation partner-roughly equal to the entire Asia-Pacific region put together. According to Canada's International Policy Statement, its shared history and culture still shape its relationship with the European Union. Also the European Union is the world's largest single market, with a population of over 450 million and, following its expansion in central and Southern Europe in 2004, a gross domestic product that rivals that of the United States. Its member state governments are focused on creating a European future, and its rich and sophisticated business sector is the leading global investor and one of its leading sources of technology and innovation. The countries of the EU shape global and regional commerce, presenting Canada with intense competition and significant concerns as they work to keep their relationship upto date.

The Government of Canada is advancing stronger Canada-EU ties through many channels. It is guided at the highest levels through summits between the Prime Minister, the President of the EU Commission, and the President in Office of the European Union. In March 2004 Prime Minister Martin hosted the summit that re-energised the relationship through the launch of the Canada-EU Partnership Agenda; this agenda provides for bilateral cooperation on security, global economic prosperity and other major issues. To improve commercial links and support the Canadian business community, the government is designing a forward-looking Trade and Investment Enhancement Agreement (TIEA) with the European Union. The agreement will support economic growth and improvements in productivity, and has specific provisions aimed at facilitating bilateral trade, investment and technology transfer between Canadian and European Union small and medium enterprises (SMEs).

The TIEA will move beyond traditional market access considerations, anticipating future challenges such as the need for greater cooperation on regulatory issues. The Government has agreed to develop a voluntary framework for regulatory cooperation with the EU to enhance the use of best practices, improve the effectiveness of regulatory initiatives and facilitate trade and investment. In the realm of science, technology and innovation, the Government is focused on intensifying the cooperation by organising thematic workshops to explore new collaborations and partnerships. Canada's association with public and private EU research programmes–as partners, subcontractors and informal network players–has confirmed Canada's reputation as home to cutting-edge research partners. Indeed, Canada-EU trade in R&D services, patents and licensing fees exceeded $2.1 billion in 2002.

This burgeoning relationship with EU institutions does not, however, encompass full relationship with Europe. According to 2005 policy statement, Canada desires that its European engagement must broaden beyond Brussels and national capitals, to include individual markets, communities and sectors. Canada also has strong investment and trade links, outside the European Union, to the four members of the European Free Trade Association: Switzerland, Norway, Iceland and Liechtenstein.

16.3.4 Asia and India

Realising that during the past two decades, Asia has come to occupy a central role in global commerce, Canada is looking at this region as vital to its economic success. Canada has tapped into East Asian value chains directly through two-way investment and indirectly through North American supply chains. This has meant greater choice for Canadian consumers and greater access to low-cost inputs, improving its competitiveness. Within Asia, Japan is Canada's second largest export market and its largest source of investment from the region. Canada's longstanding participation in the Japanese market makes it a strategic partner in accessing regional trade and investment market. Canada still feels that no lasting success can be achieved in China and other dynamic Asian countries without involving Japan.

Canada also enjoys strong and deep ties with China. Today, there are over one million Canadians of Chinese descent. Their relationship is nurtured through extensive educational ties and strengthened by the individual experiences of Canadian tourists in China and by the over 100,000 Chinese who visited Canada in 2004. Canada plans to use existing and new channels to advance its official relations with China. A Strategic Working Group supports regular bilateral consultation on important political and economic issues, and stronger exchange and coordination on broader issues of common concern. High-level events such as the January 2005 Canada Trade Mission to Shanghai, Beijing and Hong Kong, led by the International Trade Minister, also raise Canada's profile, enabling significant progress on bilateral issues and allowing Canadian companies to clinch commercial agreements with Chinese partners.

There are already over 1,900 Canadian companies active in China, 400 of them through local offices. The Government supports them with more trade officials than in any other single market except the United' States, in partnership with the Canada-China Business Council. Canada has also re-launched its negotiations with China on a foreign investment promotion and protection agreement to improve the climate for Canadian investors. Through this and other initiatives, they aim to double the level of Canada's trade and investment relationship with China by 2010.

The third key member of the Northeast Asian growth triangle is South Korea, with whom Canada already has a special partnership. The relationship is strong, as is proven by the fact that South Korea is now the leading source of foreign students in Canada's educational institutions. Prime Minister Martin and President Roh agreed in November 2004 that they would begin exploratory talks on a potential free trade agreement, a clear indication that their relationship would further grow and deepen.

While free trade would create pressure in certain Canadian sectors, notably shipbuilding, it would also present opportunities for traditional Canadian exports, value-added manufacturing and service sectors such as finance, insurance, and educational services and investment.

India

Canada has started looking towards India in a significant way. Canada's International Policy Statement issued in 2005 points out that: India and Canada share a mutual commitment to democracy and the rule of law, and to the better'integration of developing countries into the multilateral trading system. They also share a language, a connection through their Commonwealth heritage, and similarities in their legal, financial and political systems. More than 700,000 people of Indian descent live, work and study in Canada, of whom over 300,000 were born in India. Despite these strengths, Canada's relationship with India has underperformed in the past.

The entrepreneurial skills and educational and scientific links of the Indo-Canadian community, however, coupled with reforms taking place in the Indian economy, are giving Canada a new edge on which they now started to capitalise. With market liberalisation continuing and infrastructure development an ever-present priority, India offers Canadians more and more opportunities in biotechnology and health, information and communications technology, engineering and construction, oil and gas, energy, and environmental and financial services. India is also a very important potential partner in the areas of science, technology and education; it is consciously building its economic future on the skills of its people, seeking out strategic partners to further its development. Unlike East Asia, however, India is not yet a major player in supply chains. Its size and emerging outward orientation make it an awakening giant that is likely to rival China in the foreseeable future.

The growth of the Indian middle class is also redefining opportunities for Canadians, from producers of consumer goods, to its tourism industry, to its post-secondary institutions. In January, 2005 the Prime Ministers of Canada and India issued a joint declaration to build upon the substantial progress in the bilateral partnership achieved during the last year and to enhance the architecture of the Canada-India partnership. Responding to these opportunities, and building on the Prime Minister's visit in January 2005, the Minister of International Trade led a Canada Trade Mission to India in April 2005 which included a significant focus on science and technology. Canadian companies pursued opportunities in a range of areas, including transportation, energy and information and communications technology infrastructure, agri-food, and financial services. Canada's aim is to surpass $2 billion in exports to India by 2010.

To this end, the Government has restarted discussions with India toward a foreign investment promotion and protection agreement and has made significant progress toward concluding a science and technology cooperation agreement with India.

Multilateral Trade

Canada has been an active participant in the multilateral trade i.e., at WTO. The latter serves as a foundation for Canadian trade policy and many of the multilateral trade agreements are ratified in accordance with the domestic procedures. Canada has also been consistently working towards increasing transparency in the work of the WTO, supporting measures like trade facilitation initiatives and other key areas that offer greatest potential gains for all. It seeks to strengthen the multilateral rules and regulations and facilitate imported market access. Barring few issues like barriers related to textiles and clothing, agriculture, food industries, Canada's relations have been in accordance with the WTO rules and mechanisms. Canada's policymakers stress on the multilateral co-operation and consider that the multilateral systems provide an opportunity to set rules of conduct and promote values like human development, social justice and democracy.

Canada's aid programmes through multilateral institutions have been instrumental in supporting the crisis states during emergencies and humanitarian crisis. Multilateral organisations are also major players in providing debt relief to the developing countries and have been actively associated with initiatives such as vaccines and immunisation programmes and address critical global public concerns. Through these institutions, Canada intends to play a crucial role in reducing poverty levels across the globe; to allocate resources wherever there are shortfalls in the system; promote effective global governance and ensure greater participation by the international financial institutions like World Bank, IMF and other regional development banks; promote initiatives towards debt relief and mobilise large scale resources wherever necessary; promote responses to global environmental problems and address issues like climate change; help the developing countries to gain access to Canadian and global markets; extend research and development partnerships to the developing countries; help promote co-operation between the developed and developing countries to ensure sustainable economic growth, technology transfer and development. Canada is also extending trade-related technical assistance that complements broader support for good governance and the rule of law. It is stimulating African and foreign investment through the creation of the Canada Investment Fund for Africa, a joint public-private sector fund designed to provide risk capital for private investment in Africa that generates growth.

Canada's Trade with the World, 2004
(C$ millions)

	Exports	% Change	Imports	% Change	Trade	% Change
US	325,991	7.4	208,873	2.5	534,864	5.4
Asia/Oceania	24,784	17.4	60,872	12.6	85,656	14.0
Europe	23,048	11.4	50,590	7.5	73,639	8.7
Latin America	6,696	24.9	22,382	16.8	29,078	18.6
Other	3,934	16.8	12,520	5.0	16,454	7.6
Total	384,453	8.6	355,237	5.7	739,691	7.2

Source: Trade Data Online. Industry Canada. 3 March 2005. ***http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html***

16.4 FOREIGN DIRECT INVESTMENT (FDI)

16.4.1 FDI into Canada

Canada offers an excellent investment environment with the business climate ranking between top 4-8 positions. The overall atmosphere, location and environment make it one of the most favoured investment destinations for any nation. Some of the important factors that attract investment include an abundant skilled labour force, infrastructure, high quality of life, competitive operating costs, plant facilities and cost effective equipment. It offers a direct access to almost 270 million consumers in the US market alone for its goods. Moreover Canada's transportation infrastructure, considered as one of the world's best, is well connected and has nine international airports and ports. Canada's tax competitiveness and efficient regulation and the best corporate tax rates for R& D make it one of the best among the G-7 countries. Since 1999, the cumulative funding for research and innovation has reached $11 billion. The FDI flows into Canada, since 2002, remained much above the long term historical average figures. US remains the top investor in Canada accounting for more than 93% of total FDI inflows. Some of the important sectors for FDI include oil and natural gas, energy, technology and minerals. In 2001, Canada attracted 3.6% of worldwide FDI inflows.

16.4.2 Canada's Investment Overseas

According to the FDI Monitor Report, Canada's FDI outflows has increased over the last few years and the income through profits and dividends has been much higher from its foreign assets. Its share of FDI outflows averaged 3.3% per year; infact, the FDI abroad outnumbered the inflow figures with around $12 billion per year. For many of the Canadian companies, the export-FDI multiplier is lower in industrial countries as compared to the high dividend flows, improved access to cost effective infrastructure in the developing countries. The US remained the top destination for the Canadian FDI amounting to nearly 68%. Other important FDI destinations include Europe, Japan and ASEAN countries. Its share in the non-US markets has steadily increased in the recent years. The largest outflow of FDI is in the finance and insurance sector (38%), energy and minerals (18%), services (9%) and forestry (8%). The share of the Canadian FDI flows to non-US markets increased especially to Asia and Europe. While the US had around 35.2% of Canadian FDI outflow, the European Union absorbed 30.4%. Japan constituted 3.6%, the OECD countries constituted 12.1% and other non-OECD countries, especially Asia, absorbed around 18.7% of the Canadian FDI outflow.

Though the FDI outflow trends throughout the world weakened owing to the weak global economic conditions, Canada out- performed its **G-7** partners in out bound investment. By the end of 2002, Canada's foreign investment stock amounted to $ Cdn 432 billion as compared with the foreign owned assets in Canada at $ Cdn 349 billion.

Canada: Foreign Direct Investment

	FDI Inflow	FDI Outflow	Balance (out - in)
1998	**33.8**	**51.0**	**17.2**
1999	**36.8**	**25.5**	**-11.2**
2000	**99.1**	**69.2**	**-29.9**
2001	**44.6**	**86.7**	**12.1**
2002	**32.3**	**45.2**	**12.9**

Source: ***Statistics Canada.***

16.5 CANADA'S INTEGRATION INTO THE GLOBAL ECONOMY

16.5.1 Canada and the WTO

Canada is committed to a strong rule based multilateral trading system and has been playing an active role in the work of the WTO, promoting measures towards greater transparency. Though Canada's participation in the preferential agreements has been on the rise, many of its policies are formulated in accordance with the multilateral trading rules of the WTO. One of the prime objectives of the WTO is to enhance economic growth through global free trade. Keeping these objectives at its core, Canada's trade policy makers, in consultation with the Canadians, are able to energise the economy through foreign investments and creation of employment opportunities. According to its policy makers, a better understanding of the liberal trading system will foster economic growth in accordance with the international trading system. Canada has been particularly interested in various negotiating rounds of the WTO so as to extract maximum benefits for its farmers, exporters and manufacturers.

Canada favours reforms in the world agricultural trade. As it is one of the largest traders of agricultural and agri-food products, it seeks elimination of the export subsidies, considers reduction of trade distorting domestic support and seeks access for its agricultural food products. Though the public expenditure on agriculture had reduced by almost 20% due to the elimination of subsidies on transport of grains, it retained restrictions on foreign access in the management of products like dairy and poultry. Canada is yet to take up full-fledged measures towards liberalisation in agricultural trade.

As for the non-agricultural goods, Canada's markets have relatively an easier access. It seeks to provide improved access to the markets of the countries like Brazil, India and China.

Service sector constitutes one of the largest sectors of the Canadian economy and two-thirds of the population is employed in this sector. Canada is in favour of increased access to foreign markets for its service firms-business, environmental, financial, telecom and computers. Canada has transformed itself from a resource-based to knowledge -based economy and the rapid expansion oftechnology based industries have rendered it technically competitive. However, the recent deregulation and international commitments have benefitted the foreign suppliers at large. The Trade Policy Review Body of the WTO expressed its concern regarding the restrictions on foreign investments in sectors like telecom, transport and banking.

Canada favours the strengthening of rules and clarifying the mechanisms pertaining to the issues of anti-dumping, subsidies and countervailing duties. However, the number and duration of the anti-dumping measures in Canada have been of particular concern to the WTO Trade Policy Review Body.

Regarding the development issues, Canada is concerned about enhancing the developmental activities in the developing nations and seeks to'address some of the vital concerns of the latter in implementing the trade agreements and entering into new commitments. It also seeks to strengthen the technical assistance and capacity building measures both within and outside the WTO. Towards this end, it had contributed funds amounting to over $500 million to the WTO Global Trust Fund. It also seeks to enable the'developing countries play an active role in various trade negotiating rounds, for the benefit of all.

Though Canada is fully committed to multilateralism and WTO rules and regulations, concerns have been expressed regarding its increasing participation in the bilateral and regional trade agreements. It believes that bilateral.agreements can take it further than the WTO by introducing liberalisation in areas that some members of the WTO may not be ready to discuss. Nevertheless, it has been trying to ensure a level of complementarity between the two. Its dependence on the US market and NAFTA has been a matter o concern in this regard. Canada needs to clarify its stand on the following issues:

- protection of agricultural sector.
- implementation of anti-dumping measures.
- restrictions in the service sector.
- implementation of the agreeinent on textiles and clothing.
- high import barriers on poultry and dairy products.
- restriction on foreign investment in telecom, transport and banking sectors.
- stricter applications of intellectual property rights and copy right protection.

16.6 SUMMARY

Canada is one of the strongest and largest economies in the world. With its abundant natural resources and technological development, Canada has grown into a highly industrialised nation. The formulation of effective fiscal policies and maintaining a low inflation rate has helped it in achieving faster economic growth. Some of its important sectors are manufacturing, mining, communications, financial services, and agricultural trade. It has worked consistently towards reducing its national debt and has succeeded to a greater extent in its efforts. Skilled labour, knowledge workers, open and transparent rules based trade have effectively complemented the governmental initiatives towards maintaining higher living standards and a better quality of life. Other factors that have contributed to the growth of the Canadian economy include adherence to the multilateral trading rules, participation in bilateral and regional trade agreements, foreign direct investment inflows and outflows and most importantly, its trade with the US. The ability to compete in global market place has created a strong, competitive and sustainable economy in Canada.

16.7 EXERCISES

1) What is Canada's trade policy? Discuss the patterns of the Canadian economic development.
2) Briefly discuss Canada's role in the bilateral and multilateral trade agreements.
3) Analyse Canada's economic relationship with European Union.
4) Describe Canada's trade and Economic relations with Asian countries, with special reference to Japan, China and India:
5) Explain Canada's contribution towards a strong rule based multilateral trading system of the WTO.