



# Canada's World Trade

What types of things to you think Canada trades to other countries?

What do we bring in from other countries?

What does Globalization mean?

<https://www.youtube.com/watch?v=5SnR-e0S6lc>

# Terms

- Imports
- Exports
- Trade Surplus
- Trade Deficit
- Net Exports
- Net Imports
- Tariff
- Protectionism
- Free Trade
- Globalization
- Multinational Corporations

# Import

- **Import** – a product or service that is brought into a country from another country
- In Canada, we import many goods and services from other countries
- These include cars, clothes, electronics, machinery and equipment
- In 2008, Canada's imports totalled \$415 Billion in 2011 – \$403 billion
- 52% of our Imports come from the USA

# Imports continued...

China 13%

Mexico 11%

Japan 9%

Germany 6%

UK

Korea

France

Italy

Taiwan

# Export

- **Export** – A product or service produced in one country that is sold in another country
- In Canada, we export many goods and services to other countries
- These include oil, natural gas, telecommunications equipment, pulp and paper, plastics.
- In 2008, Canada's exports totalled \$459 Billion - In 2011 – \$399 billion
- 75% of our Exports go to the USA

UK 4%

China 3%

Japan 2%

Mexico

Germany

Korea

Netherlands

Brazil

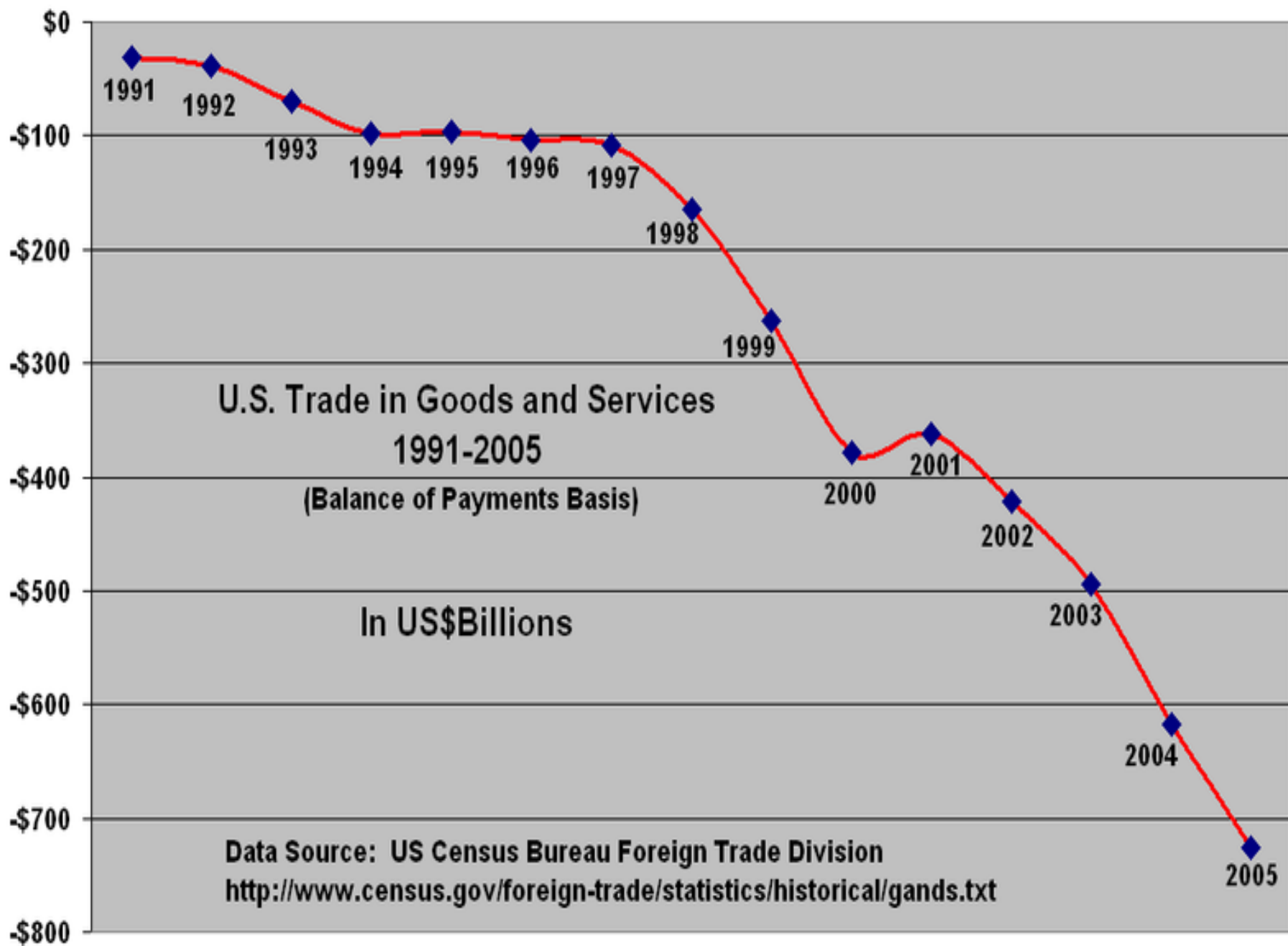
Norway

# Trade Surplus

- **Trade Surplus**
- Where a country has bought (imported) less in goods and services than it has sold in exports
- IE. Exports are  $>$  than Imports
- In 2008, Canada had a \$44 Billion Trade Surplus (with the rest of the world)

# Trade Deficit

- **Trade Deficit**
- Where a country has bought (imported) more goods and services than it has sold for export
- IE. Exports are  $<$  than Imports
- In 2008, the United States had an \$840 Billion Trade Deficit (with the rest of the world)



# Importance of Exports

- Why must Canada export?
- **Three Major reasons:**
  - 1) *To pay for things that we import*
  - In order to continue to pay for the products we enjoy from other countries, we must have to pay for them by selling our goods overseas.

# Importance of Exports

- *2) To Keep Our Economy Healthy*
- Almost 50% of the goods and services that Canadians produce are exported.
- With fewer exports, unemployment will be higher, and many of us would be poorer
- *3) To keep the prices of Canadian made goods lower for consumers*
- The cost of a good or service becomes cheaper as you make more of it.
- Thus the more we export the cheaper the product will be for all Canadians.

# Free Trade vs. Protectionism

- This debate was a hot topic during the 1988 election in Canada.
- On one side, the Progressive Conservatives under Brian Mulroney wanted free trade agreement with the United States
- On the opposite end, the Liberals and NDP wanted to continue the governments “Protectionist” policies that had been in existence since 1867

# Mulroney Government – Free Trade with USA



# Protectionism

- Prior to 1988, the Canadian government provided Canadian businesses with policies that would protect them from competition with foreign companies
- **Protectionism** – is a government policy of using tariffs and having rules that limit imports
- This helps Canadian companies gain an advantage over foreign companies that produce goods and services more cheaply

# Tariffs

- **Tariffs** – is a tax on an import
- Tariffs make it more costly to buy a foreign made good or service.
- Tariffs can make trade with other countries more difficult, since they will also place tariffs on your nations goods and services
- Tariffs will allow Canadian companies an advantage, since their goods are not taxed
- Less imports will increase the Canadian balance of trade with other nations

# Free Trade

- Since 1988, this has been promoted by the Canadian government with the USA
- **Free Trade** – is a government policy that eliminates tariffs and other laws designed to restrict trade
- The basic idea is that free trade enhances trade for Canada with other nations
- This can result in more exports for Canadian products with other countries
- It also has resulted in many jobs leaving Canada for other nations

# Free Trade vs. Protectionism

- Free Trade
  - Imports increase
  - Exports may increase
  - Cheaper foreign goods
  - Fewer Canadian jobs in manufacturing
  - Money leaves Canada
  - More foreign ownership and investment
- Protectionism
  - Imports decrease
  - Exports decrease
  - Expensive foreign goods
  - More Canadian jobs in manufacturing
  - Money stays in Canada
  - Less foreign ownership and investment

# Free Trade vs. Protectionism

- Signed in 1988 between Canada and the United States
- Allowed the elimination of tariffs for goods and services sold between Canada and the United States
- Allowed for easier rules for Canadian and USA investment (foreign ownership)
- It resulted in increased trade between Canada and the United States
- Exports grew from 40% to 50% between 1990-2000 (78% today)

# free Trade Agreements

[https://www.youtube.com/watch?  
v=s\\_iwrt7D50A](https://www.youtube.com/watch?v=s_iwrt7D50A)

# Free Trade Agreements

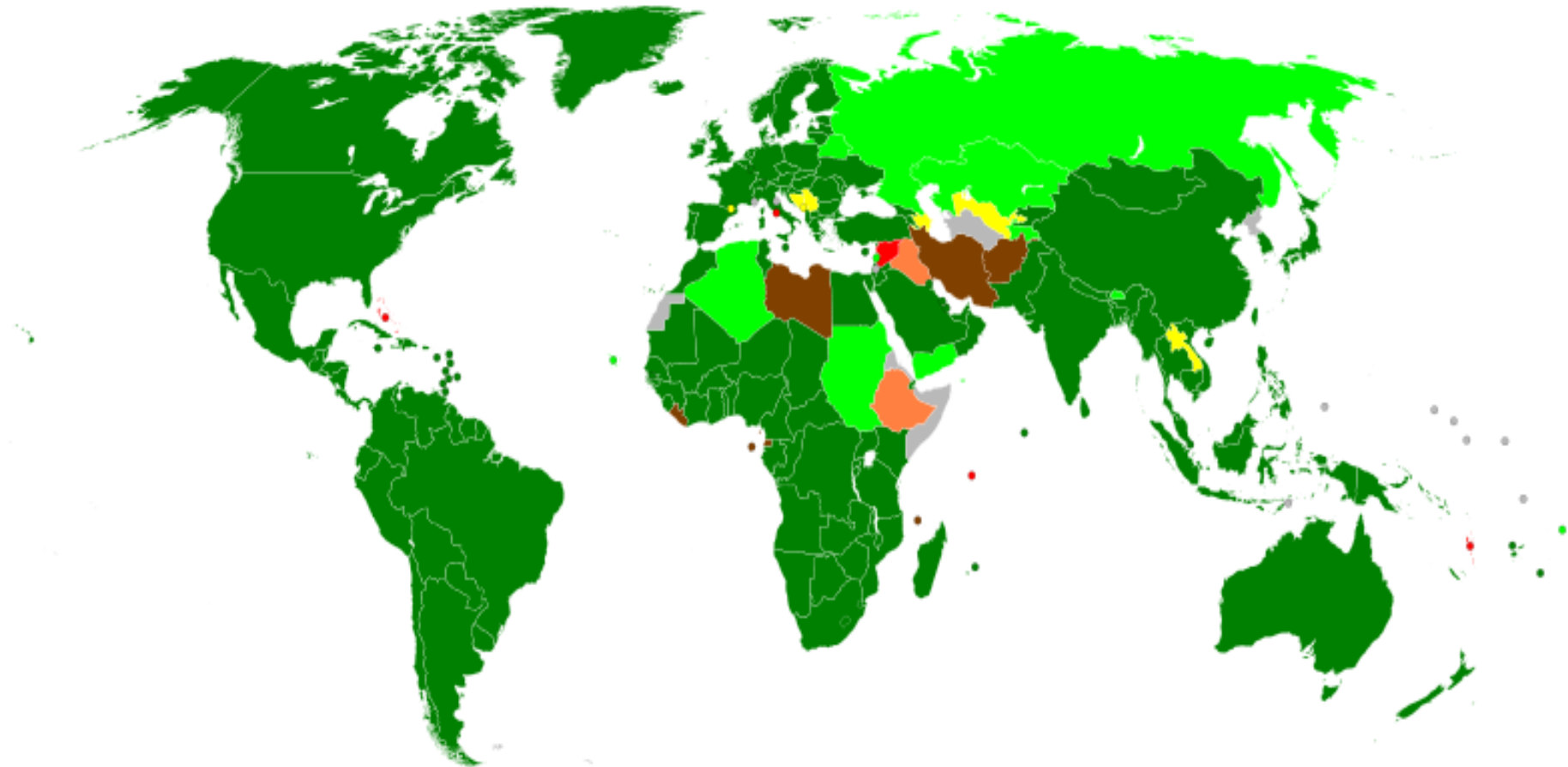
- NAFTA was signed in 1993
- **NAFTA** – North American Free Trade Agreement (Canada, USA, Mexico)
- This agreement now includes Mexico in a free trade zone with Canada and the USA
- **WTO** – World Trade Organization
- Founded in 1995
- It is an organization that is designed to promote free trade, and resolve trade disputes between the 120 member nations

# NAFTA Today – Canada, the United States and Mexico



# NAFTA: FREE TRADE

ISSUE	SUPPORT	OPPOSITION
<b>EFFICIENCY</b>	Trariffs protect inefficient producers which pushes prices up for consumers	Agreement helps Canadian resources exporters, but hurts manufacturers that produce for Canada only
<b>JOB</b>	Low-skill jobs will be replaced with high-skill jobs that pay better	Jobs will move to lower wage cost areas of Mexico and S. United States
<b>COMPETITIVENESS</b>	Canada can complete with the US and Mexico because of high productivity, good transportation and cheap power	Canada will have to cut wages and benefits to be able to compete with American and especially Mexican companies
<b>OPPORTUNITIES</b>	Canadian companies can bid on American and Mexican government contracts	American companies can bid on Canadian government contracts
<b>ENVIRONMENTAL IMPROVEMENT</b>	NA environmental quality will improve since Mexico is required to meet American/Canadian standards	Environmental quality is likely to decline since standards in Canada will have to be relaxed to allow Canadian companies to be competitive



**Dark Green:** Members    **Light Green:** Draft Working Party Report or Factual Summary adopted

**Yellow:** Goods and/or Services offers submitted

**Pink:** Memorandum on Foreign Trade Regime submitted

**Brown:** Observer, **Red:** Frozen procedures or no negotiations in the last **Grey:** No official interaction with the WTO

# Import Substitution

- **Import Substitution** – When a consumer chooses to buy a Canadian made product over a foreign made good or service
- Ex. Ontario agricultural products
- “Good things grow, in Ontario”
- Can also be involved in purchasing a Canadian made Car (Ford Canada, General Motors Canada, Chrysler Canada, etc)

# Effects of World Trade

- As world trade expands, the global village becomes smaller since many nations now rely on each other for trade.
- **Globalization** –
  - is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. Advances in transportation and telecommunications infrastructure, including the rise of the Internet, are major factors in globalization
  - – this can be positive and negative
- **Multinational Corporations** – large companies that operate across the entire globe

# Problems with Globalization

- As developed nations increase their free trade agreements, many jobs will end up in developing nations with cheaper labour costs
- Since developing nations will need the capital (money) and business to develop, it is easier for the Multinational Corporations to exploit them
- Ex. Child labour, environmental degradation, human rights abuses
- [https://www.youtube.com/watch?v=s\\_iwrt7D5OA](https://www.youtube.com/watch?v=s_iwrt7D5OA)



NAFTA

FREE TRADE AT LAST,  
FREE TRADE AT LAST,  
THANK **GOD** ALMIGHTY,  
WE HAVE FREE TRADE  
AT LAST!

WTO

U.S. WORKERS

MASSIVE  
LAYOFFS  
VANISHING  
WORKER RIGHTS

CORPORATE  
AMERICA

WORKERS  
ABROAD

SLAVE  
WAGES,  
NO  
WORKER RIGHTS



SUPREME COURT'S "FIRST AMENDMENT" DECISION...

CORPORATIONS

~~We the People~~

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# Future of Canada's Trade

- International Trade allows Canadians to enjoy a high standard of living.
- 1/5 of Canadians work in a occupation related to exporting goods and services to other nations
- Canadian resources (oil, gas, forest products) will continue to be sold as the developing world industrializes
- Canadian manufacturing will continue to grow in high tech fields, while it will contract in low tech fields

# Future of Canada's Trade

- While the Canadian service (tertiary) sector will grow in high tech jobs, it may also contract in some areas
- Banking, finance and research and development are seen as growing sectors that Canada will see growth in the world economy
- Other areas, such as call centres or administrative jobs may go to developing countries as their access to education increases

# Questions

- 1) What is the difference between an import and an export?
- 2) Why are Exports important? Name and explain the 3 reasons.
- 3) Who was Brian Mulroney and what
- 4) Name one good result and one negative result for A) Free Trade and b) Protectionism
- 5) Explain the effects of creating organizations such as NAFTA and WTO