

Monthly Trade Bulletin

Volume 3 Number 8


October 2001

Key Monthly Trade Indicators (August 2001)

Highlights

 **In August, a larger fall in exports relative to imports, resulted in a narrowing of Canada's overall trade surplus with the world.**

 **Merchandise exports to the U.S. fell more than imports from the U.S., thus reducing Canada's trade surplus with the U.S. in August.**

 **The Canadian dollar dipped U.S.0.8¢ over the month, and is almost U.S.3.5¢ below its level of one year ago.**

Exports	34,129	-3.5	-4.4
- Exports to U.S.	29,457	-2.7	-2.9
Imports	29,696	-0.8	-3.4
- Imports from U.S.	21,429	-2.4	-4.9
Trade Balance*	4,432	5,425	4,957
- Balance with U.S.*	8,027	8,319	7,792
Commodity Prices**	105.5	1.0	-5.5
Canadian Dollar (US¢)*	64.5	65.3	68.0
Export Prices***	107.2	-3.3	0.9
Import Prices***	106.5	0.7	3.1

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Trade with Least Developed Countries

Current analysis done by Rick Cameron of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Aaron Sydor and Sarah Fisher of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao. ISSN 1496-192X



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Ministère des Affaires étrangères
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Industry
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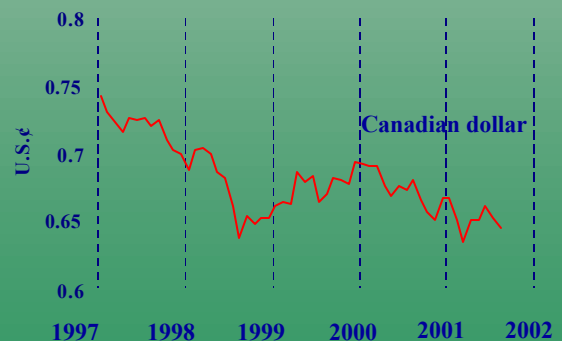
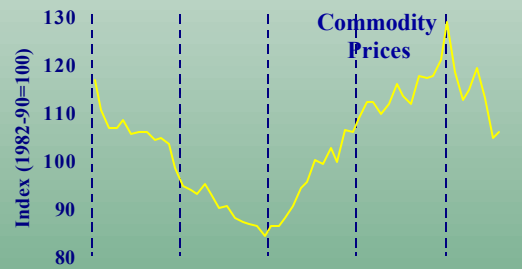
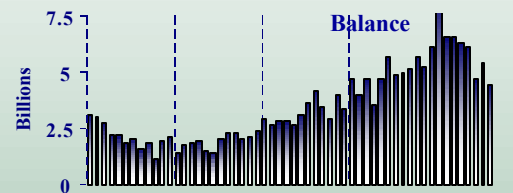
Merchandise Trade

Trade balances shrink ...

- The overall trade surplus fell by almost \$1 billion over July levels, to \$4.4 billion in August.
 - ▶ The monthly surplus with the U.S. also fell over August. The balance slipped \$292 million to just above \$8.0 billion in August.
- Monthly trade deficits with all other major trading partners increased. Our deficit with the E.U. expanded \$314 million to just under \$1.3 billion for August, while the balance with Japan widened \$159 million to a \$326 million deficit.

... as does the value of the Canadian dollar

- The Canadian dollar lost U.S.0.84¢ in value in August after having fallen U.S.0.8¢ the previous month. The dollar is almost U.S.3.5¢ lower than its rate in August of last year.
- The decline in the dollar was accompanied by a decline of the terms of trade (i.e., the ratio of export prices to import prices) as export prices fell while import prices were up slightly over the month. Commodity prices, however, managed to rise over the month.



Source: Statistics Canada, Bank of Canada

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Canada's Trade with Least Developed Countries



- Forty-nine countries, are currently identified as a “least developed country” (LDC) under the United Nations (U.N.) classification. The majority of these countries (88%) lie within the African and Asian continent. LDCs account for nearly a quarter of the world in terms of the number of countries and more than one tenth in terms of population. However, their share of world Gross Domestic Product (GDP) is less than one percent.



- The World's developed countries help LDCs develop economically and socially through special tariffs, foreign aid and investment.

- According to the U.N. definition, in order to qualify as an LDC., a country must meet all of the following criteria:

- A low-income criteria based on a three year average estimate of per capita GDP (under \$900 for inclusion, above \$1,035 for graduation).

- A human resource weakness criteria, which measures nutrition, health, education and adult literacy.

- An economic vulnerability criteria, which measures the instability of agricultural production, exports of goods & services, the economic importance of non-traditional activities, merchandise export concentration and the handicap of economic smallness.

- A population of less than 75 million.



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Canada's Trade with Least Developed Countries

LDC's GDP grew at a considerably stronger pace in the second half of the 1990's...

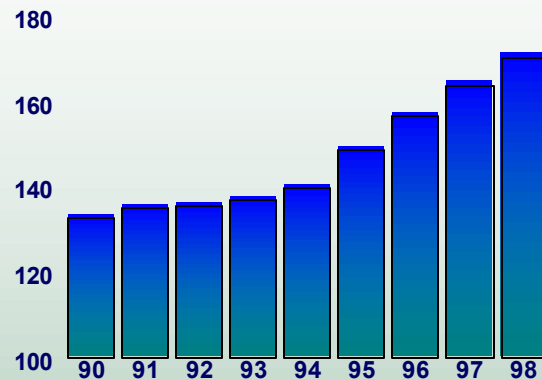
- In 1998, the combined GDP of the LDCs was U.S.\$170 billion, approximately 1/4 of the Canadian GDP.
- LDC's combined GDP increased at an average annual rate of 4.4% between 1996 and 1998, doubling the rate of the first half of the 1990's.

...but due to rapid population growth, the improvement in their standard of living has been weak

- The combined population of the 49 LDCs was approximately 619 million in 1998, with an average per capita GDP of U.S.\$274.5.
 - By comparison, Canada's per capita GDP in 1998 was U.S.\$20.4 thousand.*
- Over the last ten years, LDC's population increased at an average annual rate of 2.4%. As a result, only a slight improvement has been made in the living standards.

LDC's Real GDP (constant 1995 U.S.\$)

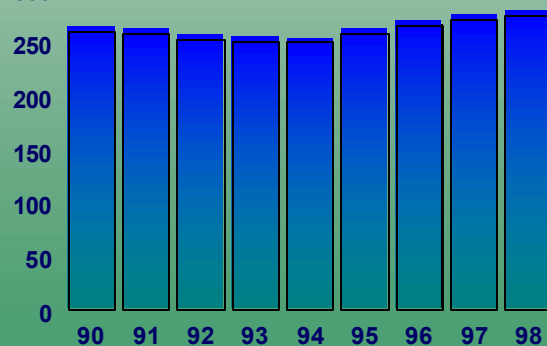
Billions \$



Calculations do not include Senegal and Tuvalu
Source: Compilations based on data from the World Bank

LDC's Real GDP per Capita (constant 1995 U.S.\$)

\$



GDP per capita does not include Senegal and Tuvalu
Source: Compilations based on data from the World Bank and Statistics Canada

* At market exchange rates

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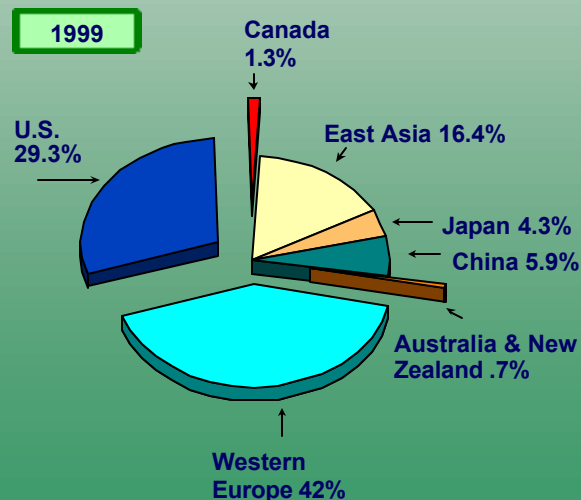
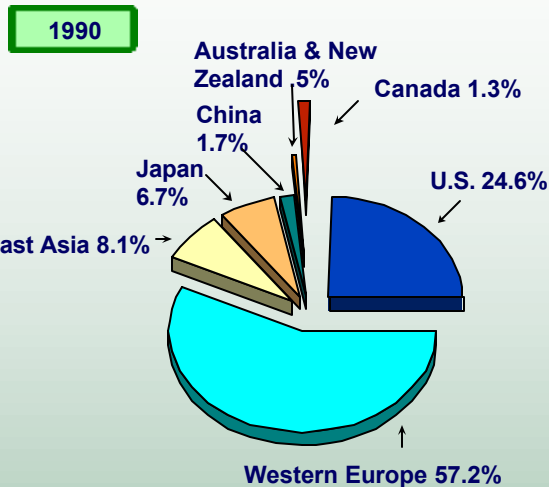
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Canada's Trade with Least Developed Countries

Distribution of LDC Merchandise Exports by Selected Region

Western Europe still takes the lion's share of exports from LDCs

- LDC's exports increased from U.S.\$18 billion in 1990 to U.S.\$23 billion in 1999.
- Western Europe was the most important destination for exports in 1999 from LDCs at 42%, however, this has declined from 57.2% in 1990.
- United States experienced an increase in its share of exports from LDCs, rising from 25% in 1990 to over 29% in 1999. This is most likely attributable to the U.S.' strong economic growth over the 1990's.
- Canada's share of LDC's merchandise exports remained constant at 1.3% over the 1990's.
- Many advanced nations including Canada, U.S. and E.U. provide preferential tariff treatment for LDCs, include zero tariff rates on many products.



Source: Compilations based on data from World Trade Organization

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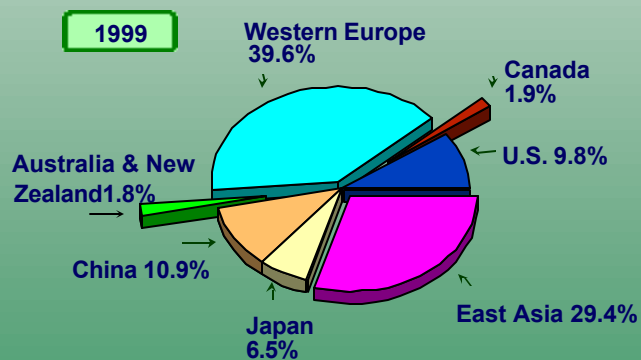
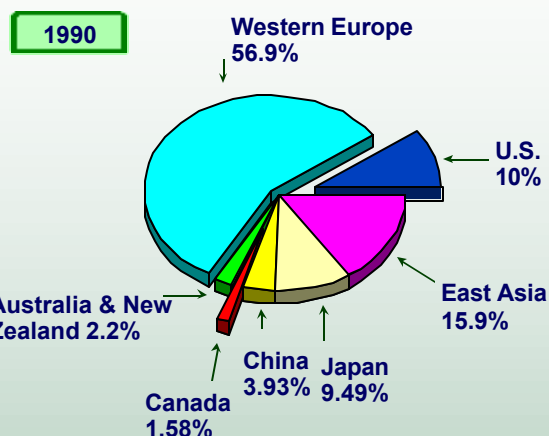
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Canada's Trade with Least Developed Countries

Distribution of LDC Merchandise Imports by Selected Region

LDCs also import largely from Western Europe

- LDC's imports grew by U.S.\$5 billion between 1990 to 1999, reaching U.S.\$23 billion in 1999.
- Western Europe accounts for the largest share at 39.6%, but its share has fallen 17 percentage points over the 1990's.
- China's share of LDC's imports more than doubled during the 1990's and now stands at 10.9% - which is larger than that of the U.S.
- Over the last ten years, Canada's exports to LDCs increased by over \$150 million, and now account for almost 2% of LDC's imports.
- Imports from East Asia doubled in size over the 1990's.



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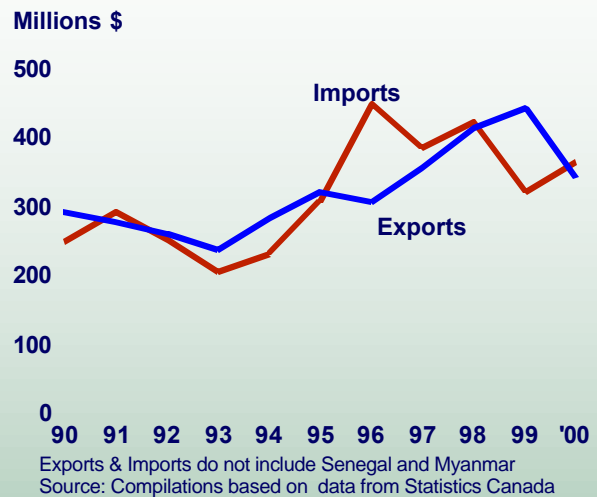
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Canada's Trade with Least Developed Countries

Canada's Merchandise Exports & Imports with LCDs*

Canada's trade with LDCs has increased significantly...

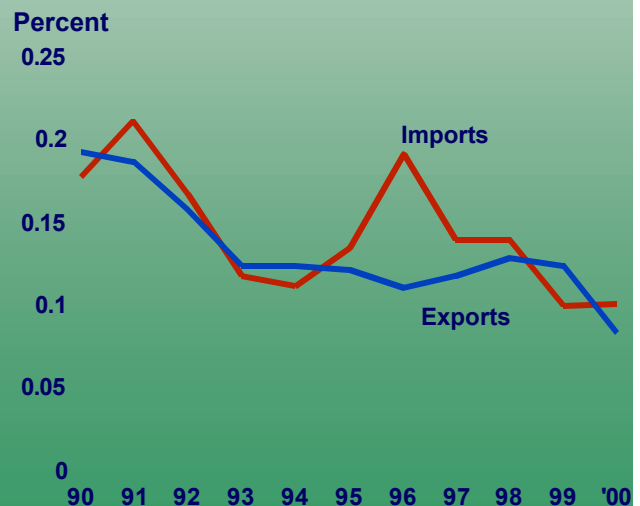
- Canada's exports to LDCs increased over the past decade, rising by \$50 million for a total export value of \$334 million in 2000.
- Canadian imports from LDCs totaled \$357 million in 2000, compared to \$240 million in 1990.



...however, their share of Canada's total trade declined considerably

- Over the past decade, LDC's share of Canadian imports and exports have dropped by half and now stand at .1% and .09% respectively.

LDC's Share of Canada's Merchandise Imports and Exports*



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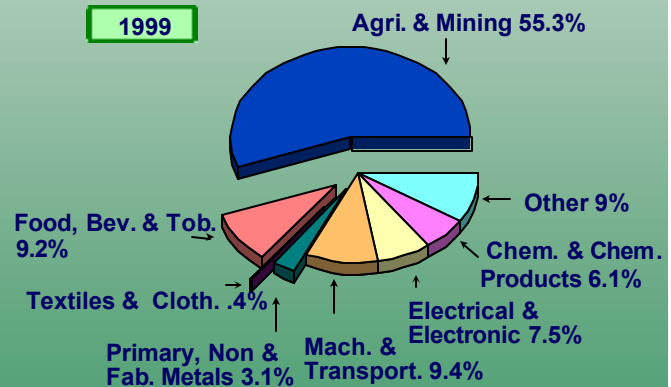
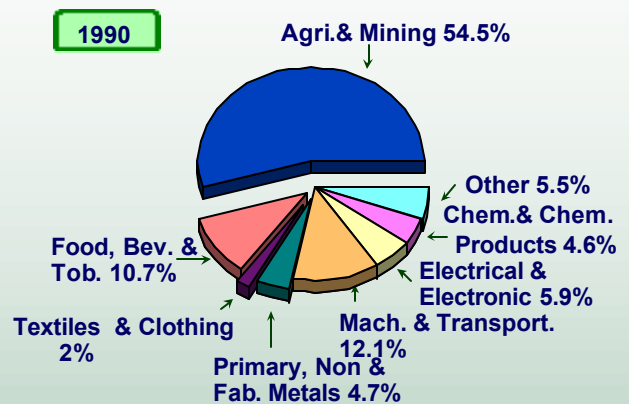
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Canada's Trade with Least Developed Countries

Canada's Merchandise Exports to LDC's by Industry

More than two-third of Canada's exports to LDCs are in resource and resource-based industries

- Agricultural and Mining products represent over 55% of Canada's exports to LDCs. Total value increased from \$140 million in 1990 to \$215 million in 1999.
- The commodity structure of exports more or less remained the same over the 1990s.



Source: Compilations based on data from Statistics Canada

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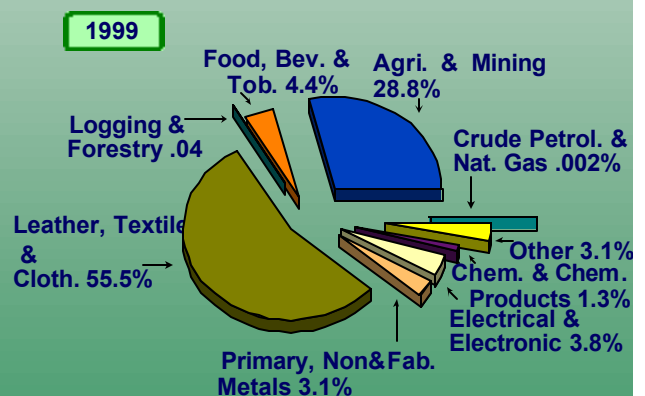
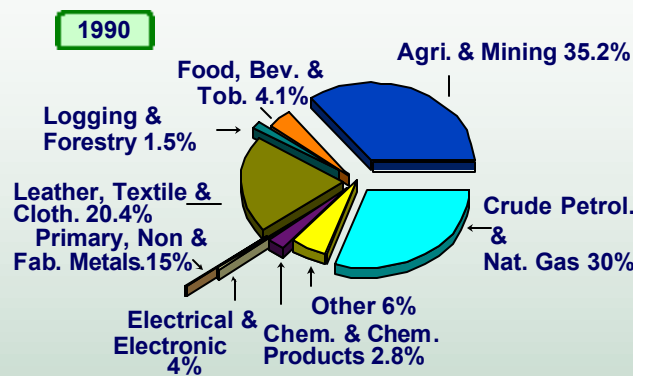
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Canada's Trade with Least Developed Countries

Leather, Textiles and Clothing account for over 50% of imports from LDCs

- Canada allows duty-free access on a wide range of products from “least developed countries”. However, these countries first need to qualify for the General Preferential Tariff (GPT). But, most textiles, apparel, some agricultural products, refined sugar and some industrial goods are not covered under GPT.
- Leather, Textile and Clothing products more than doubled their share of imports from LDCs over the 1990's. In 1990, imports were valued at \$48.1 million compared to \$173.1 million in 1999. Their share of Canadian imports from LDCs increased from 20.4% in 1990 to over 55% in 1999.
- On the other hand, the contribution of crude petroleum and natural gas imports fell from 30% in 1990 to almost 0% in 1999, mainly because of civil unrest in Angola, the main oil exporter.

Canada's Merchandise Imports from LDCs by Industry



Source: Compilations based on data from Statistics Canada

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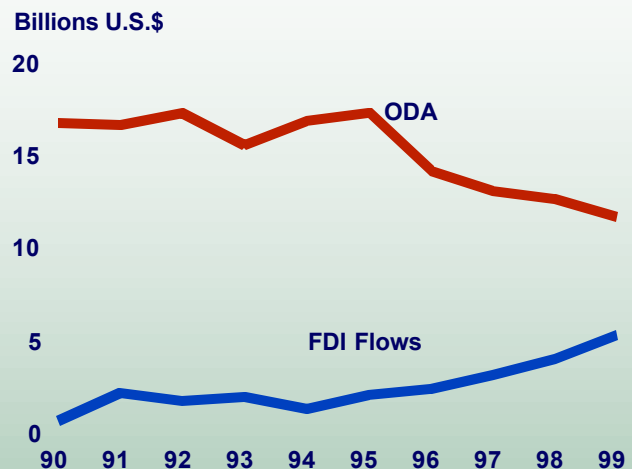
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Canada's Trade with Least Developed Countries

Foreign direct investment (FDI) flows in LDCs increased by almost nine fold in the 1990's

- FDI in LDCs have increased substantially over the past 10 years from \$0.6 billion in 1990 to \$5.2 billion in 1999.
- On the other hand, official development assistance (ODA) to LDCs is declining in importance. They received only \$11.6 billion of ODA in 1999, compared to \$16.7 billion in 1990.
- France and United Kingdom are the principal sources of FDI in African LDCs. However, European countries as a whole, represent the main source of FDI in most LDCs.

World FDI and ODA to LDCs



Source: Compilations based on data from UNCTAD and DFAIT

Countries currently listed by the U.N. as an LDC are:

Afghanistan	Angola	Haiti	Mozambique
Bangladesh	Benin	Kiribati	Myanmar
Bhutan	Burkina Faso	Zambia	Yemen
Burundi	Cambodia	Lesotho	Nepal
Cape Verde	Central African Rep.	Liberia	Niger
Chad	Comoros	Madagascar	Rwanda
Democratic Rep. of the Congo	Djibouti	Malawi	Samoa
Equatorial Guinea	Eritrea	Maldives	Sao Tome and Principe
Ethiopia	Gambia	Mali	Senegal
Guinea	Guinea-Bissau	Mauritania	Sierra Leone
Solomon Islands	Somalia	Sudan	Togo
Tuvalu	Uganda	Vanuatu	United Rep. of Tanzania
Lao People's Democratic Rep.			