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ECONOMIC POTENTIAL OF CANADA AND ITS PLACE IN A WORLD TRADE

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Abstract: The subject of the research is an economy of Canada and its macroeconomic indicators. The article uses the methods of comparative analysis, logical research, which made it possible to evaluate the characteristics of the economy of Canada and its economical politics and the mechanisms for their regulation.
The relevance of this study is confirmed by the growing influence of international integrations on world trade, the role of Canada in such integration organizations, their main goals and the role of the WTO in organizing the free trade space.
Keywords: Canada; Canadian economy; World Trade Organization (WTO); Macroeconomic indicators; Export; Import; Gross Domestic Product (GDP); Gross National Product (GNP); Purchasing Power Parity (PPP); CUSFTA; NAFTA; OAS.

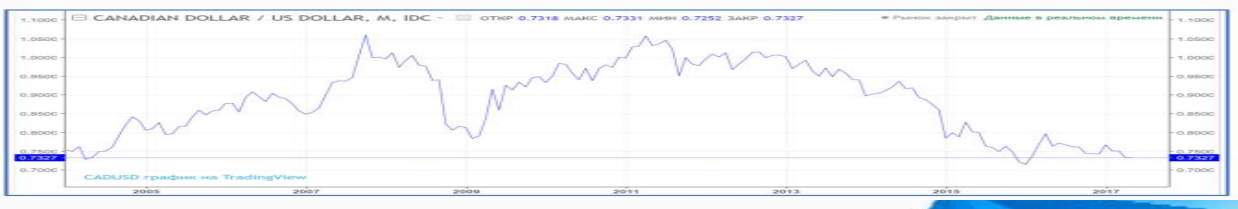
Canada's economy is one of the most developed in the world. According to estimates, it ranks 15th in the world in terms of GDP in PPP terms and 27th in terms of GDP per capita and is included in the developed countries of the world. Estimated budget revenues in 2017 were $649.6 billion and expenses were $665.7 billion. The budget deficit in 2017 was about 1% of GDP, public debt was 89.7% of GDP. Canada's external debt in 2019 was $2,125 billion.

In 2020, Canada ranked 12th in the world in terms of exports and 11th in terms of imports. At the end of 2021 and beginning of 2022, the total monthly value of Canadian imports fluctuated between $54.1 and $61.1 billion, exports between $57 and $63.6 billion, and the country had an overall trade surplus of $2.5 billion in the 4th quarter of 2021 and $9 billion in the 1st quarter of 2022

Canada is one of the few industrialized countries that are net energy exporters. Crude oil was the top component of Canadian exports in 2020 (about 13% of total value). Significant shares of exports consisted of finished automobiles, automobile parts, gold, and lumber. Canada is a world leader in exports of lumber, aluminum, potash fertilizers, canola and dry legumes. The first places in imports were also occupied by cars (including trucks) and car parts, broadcasting equipment and gold.

The national currency is the Canadian dollar. Throughout history, its rate has changed from fixed to floating and back. Since 1970, the Canadian dollar has been floating; during this time, the minimum rate was 0.62 US dollars (in 2002), and the maximum was 1.07 US dollars (in 2007).

The structure of the economy has unde



rgone significant changes over the years of the country's existence. If in 1870 the most

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significant sector of the economy was agriculture (37%, with 36% in services, 22% in industry and 4% in natural resource extraction), then by 1997 the Canadian economy had acquired distinct post-industrial features. 2/3 of the total national product and almost 3/4 of its labor force came from the service sector; industry accounted for 18% of the national product and 15.5% of workers, while agriculture and natural resource extraction accounted for less than 15% of the national product and slightly more than 5% of workers. In 2010, in Canada, 39% of the total population was employed in the service sector, 10% in manufacturing, and 1% in agriculture. Due to the increase in the number of working women in the first half century after World War II, the labor force participation rate increased from 55% to 64.8% (among women - from 24.7% to 57.4%). The national unemployment rate, which reached 9.9% in the first half of the 1980s, has been declining since then, with a 2019 estimate of 5.67%. The Gini coefficient - an index of income inequality between the richest and poorest segments of the population - is gradually growing in Canada, as in other developed economies. However, by the early 2020s, Canada remained the lowest among the G7 countries, and among OECD countries it ranked 9th before government redistribution and ranked closer to the middle of the list after that redistribution.

Most of the Canadian economy belongs to the private sector. A number of national companies were privatized in the 1990s, although some transport and electricity companies, as well as postal services, remain state-owned. By the end of the 1960s, the share of foreign capital in Canadian industry was approaching 60%, and in oil and gas production it exceeded 80%. By the mid-1980s, thanks to the introduced state control over foreign investment, this share was reduced to 44% and 39%, respectively. According to the Heritage Foundation Index, Canada has higher economic freedom as of 2022 than the United States, Japan and most Western European countries. Canadian governments have long pursued protectionist policies aimed at supporting the competitiveness of domestic businesses. The gradual abandonment of this position began in the 1980s, and the signing of NAFTA with Mexico in 1994 forced Canada to accelerate the process. However, Canadian agriculture continues to receive significant subsidies to compete with similarly subsidized agricultural products from the US and EU.

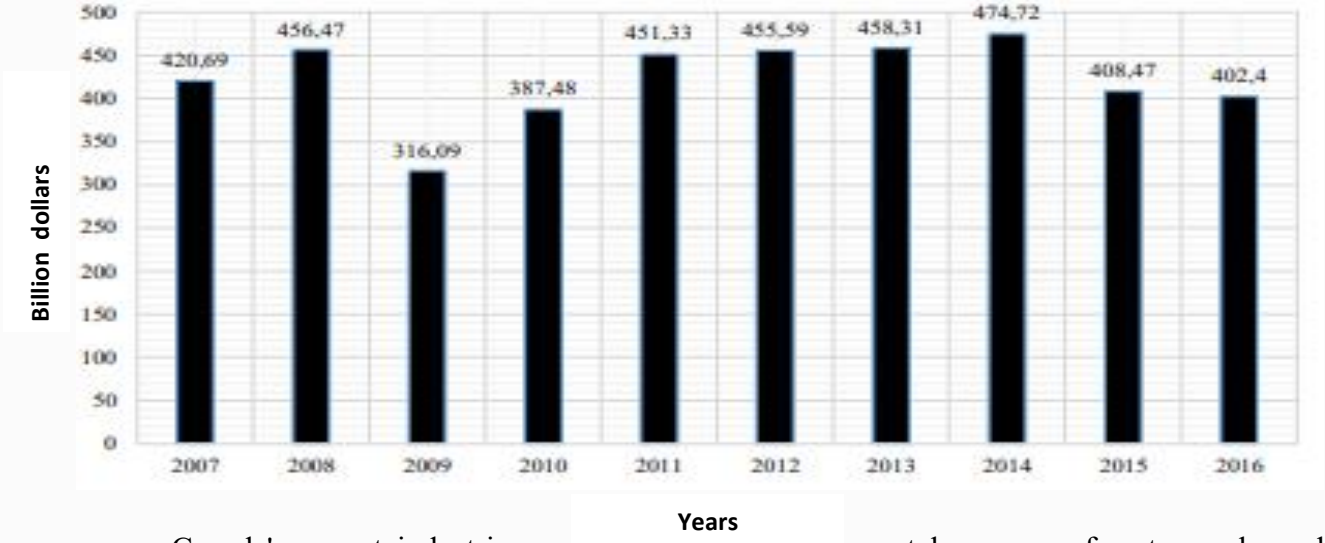
Canada is one of the top 10 countries in the world for electricity generation (644 billion kWh in 2020). Canadian geography offers significant opportunities for hydropower. On most of the rivers that are promising from this point of view, powerful hydroelectric power stations have been built, producing about 60% of Canadian electricity (including a cascade of hydroelectric power stations with a capacity of 16 thousand MW in the La Grande River basin). Another 12% of electricity is produced at nuclear power plants.

In conditions when the country's hydropower potential has already been largely exhausted, and nuclear energy is not being developed further due to concerns about its safety, the share of electricity produced at thermal power plants using primarily coal is growing. Canada is able to meet its own needs for oil and petroleum products and has surplus natural gas and electricity for export. Alternative energy is relatively underdeveloped: Canada accounts for 3% of the world's wind power, which is 4% of the country's total electricity generation, but solar power produces only 0.5% of the energy, and biofuels and geothermal plants account for a total of 2%.

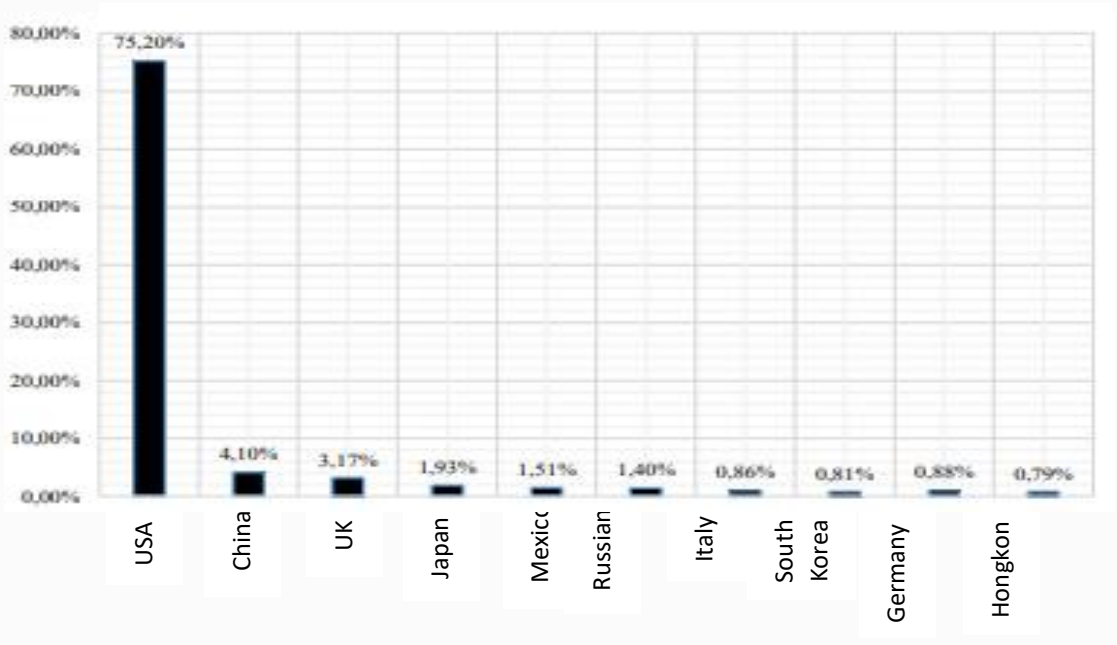
Canada's exports in 2016 amounted to $402.4 billion - 11th place. Analysis of the dynamics of Canadian exports showed that the value of this indicator is stable, excluding 2009 (consequence of the IEC)

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Canada's Export (2007-2016)

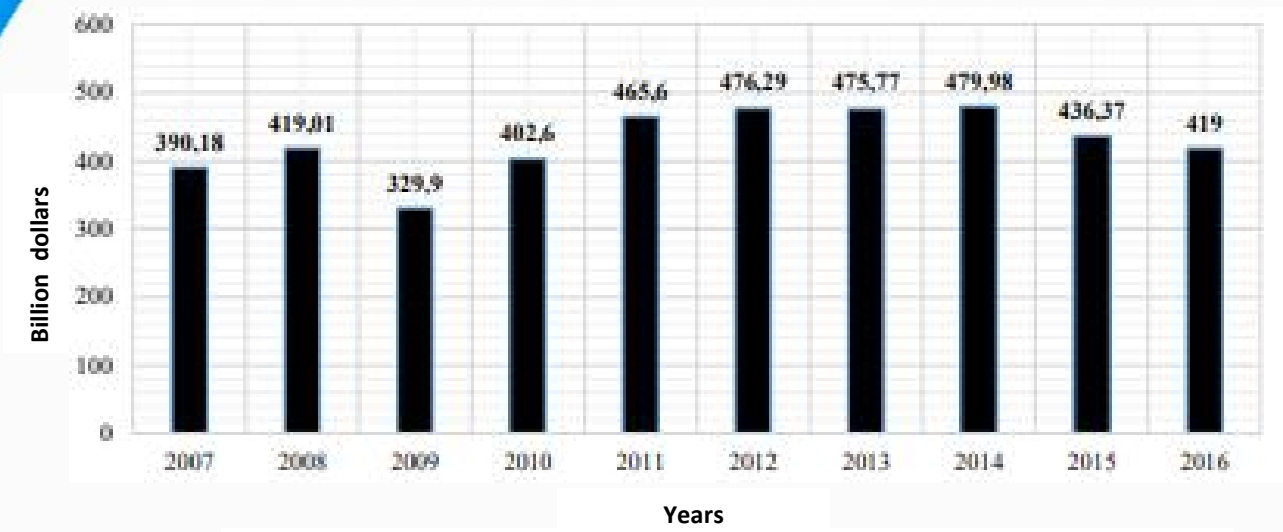


Canada's export industries are [illegible] metals, energy, forestry, pulp and paper and grains. Canada ranks among the first in the world in the production and export of iron ore, copper, zinc, lead, nickel, molybdenum, cobalt, titanium, gold, silver, platinum, uranium, oil, natural gas, coal, asbestos, potassium salts and sulfur. Canada's very important exports are also wheat (as a grain exporter the country ranks second in the world after the United States), flour and meat.

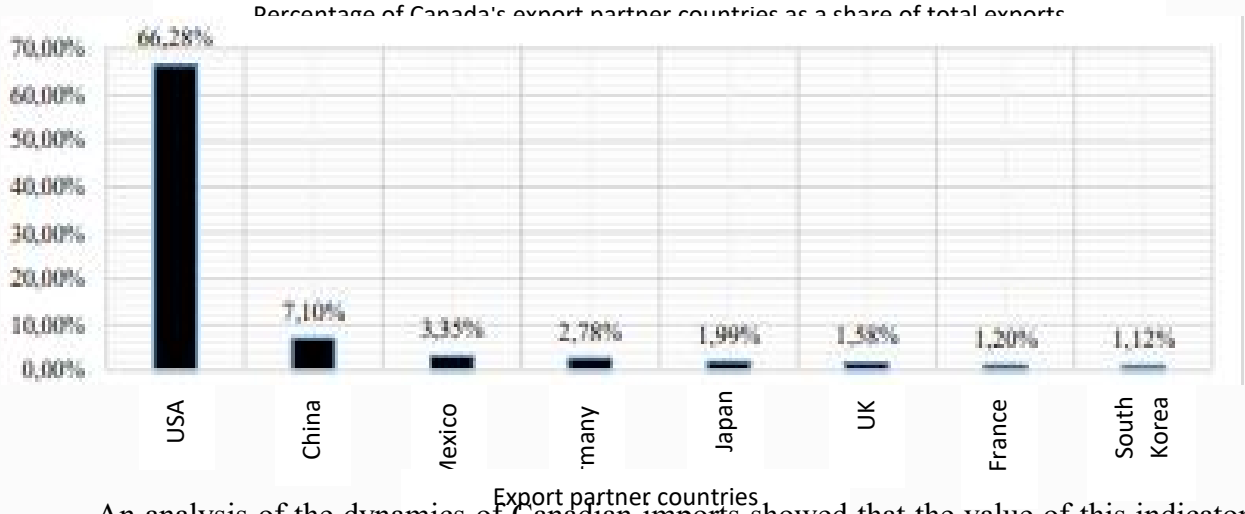


Canada's Import (2007-2016)

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Percentage of Canada's export partner countries as a share of total exports



An analysis of the dynamics of Canadian imports showed that the value of this indicator is stable, excluding 2009 (consequence of the IEC). Canada imports finished industrial products (electronic devices, precision instruments), coal, cotton, rubber, coffee, cocoa, precious metals, wood products, weapons, etc.

Canada's trade balance is -$16.6 billion - a negative indicator observed since 2009.

Dynamics of Canada's trade balance in the period 2007-2016

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
30,51	37,46	-13,81	-15,12	-14,27	-20,7	-17,46	-5,26	-27,9	-16,6

The main government body making decisions on the regulation of both domestic and international trade is the Department of Foreign Affairs and International Trade of Canada (hereinafter referred to as MFAIT). It is also responsible for foreign policy and diplomacy.

MFAIT is headed by three ministers at once:

- Minister of Foreign Affairs - since January 10, 2017, this position has been held by Chrystia Freeland;
- Minister of International Trade - from January 10, 2017 François-Philippe Champagne;
- Minister for International Cooperation - since November 4, 2015 Marie-Claude Bibeau.

The study examined MFAIT's activities related to the regulation of domestic and international trade. It has been established that the country has the Agreement on Internal (Interprovincial) Trade (AIT) of 1995 (as amended in 2012), concluded with the participation of

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MFAIT, aimed at eliminating barriers that impede the movement of individuals, goods, services and capital between provinces.

There are four main interprovincial agreements:

1) New Western Provincial Partnership Trade Agreement (NWPTA) 2010 between Alberta, British Columbia and Saskatchewan;
2) Ontario-Quebec Trade and Cooperation Agreement (TCA) 2009;

3) 2009 Partnership Agreement on Regulation and Economics (PARE) between New Brunswick and Nova Scotia;
4) Atlantic Provincial Purchasing Agreement (APA) 2008.

6 core principles that are why provincial governments need to start reducing trade barriers and preventing new ones from arising - and this is what the Internal Trade Agreement is based on:

- The first principle is non-discrimination against all Canadians, goods, services and investments.
- The second principle is the right of entry and exit, that is, measures that restrict the freedom of movement of people, goods, services or investments across the borders of Canada's provinces and territories are prohibited.
- The third principle is the absence of obstacles, that is, such policies of provincial and territorial governments are not allowed that would create obstacles to trade.
- The fourth principle is legitimate objectives, that is, a situation where non-trade interests, due to which the first 3 principles may not be fully implemented, is not allowed to seriously affect interprovincial trade.
- The fifth principle is consistency, that is, a basis is created for eliminating trade barriers that arise due to differences in standards and regulations in different provinces of Canada.
- And finally, the sixth principle is transparency - ensuring that companies, individuals and governments have free access to the information that interests them.

Canada has 22 tariff quotas. With respect to non-tariff controls, Canada's strategy is that reducing and even eliminating them, as well as measures to prevent the introduction of new ones, will significantly contribute to the process of trade liberalization and market access. Canada also defends this position in the WTO, since the harmonization and improvement of rules adopted by international organizations in the field of non-tariff regulation will ensure that non-tariff measures are used exclusively for legitimate purposes, and their use will limit trade to the least extent. Canada coordinates its domestic legislation with the rules laid down in the Agreement on Technical Barriers to Trade and promotes the application of the Code of Good Practice for the Preparation, Approval and Application of Standards. Canada participates in many international standards organizations, including the International Organization for Standardization.

Canada's main trading partner is the United States. After a series of failed negotiations with the country to create a free trade area, progress was made in 1965 when the Canada-U.S. Automobile Treaty eliminated import duties on auto products. Thanks to this, Canada began to produce a large number of cars for sale in the United States. In 1987, the Canada-US Free Trade Agreement was signed, which in 1993 was transformed into a trilateral agreement (with Mexico) for the North American Free Trade Area. As of 2017, the US-Canadian trade relationship was the most comprehensive in the world, with a total value of $680 billion in goods and services

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annually and $800 billion in bilateral securities investment. More than three-quarters of all goods exported from Canada are destined for the United States.

The main regional trade organization of which Canada is a member is the North American Free Trade Area (NAFTA). This agreement establishes a free trade area between the United States, Canada and Mexico. The first step towards economic integration was the Alan Abbott Plan, adopted in 1947. The main goal is to stimulate US investment in leading sectors of the Canadian economy. The next step was the 1965 agreement to liberalize trade in automotive products, which facilitated the integration of many other industries. In September 1988, the US-Canadian Free Trade Agreement (CUSFTA) was written, according to which a free trade area was to be formed between the United States and Canada within 10 years. The final agreement establishing the North American Free Trade Association (NAFTA) entered into force on January 1, 1994.

The North American Free Trade Agreement contains a set of agreements that extend beyond trade to services and investment, and brings together industrialized countries and developing countries. It has been established that the main goal of NAFTA is to remove barriers to trade in goods between participating countries. Unlike the EU, NAFTA did not aim to create interstate administrative bodies, nor did it create laws that would govern such a system. NAFTA is an international trade agreement under international law.

Canada is found to be the second largest trading partner of the United States ($578.6 billion). The US is Canada's main export and import partner. The share of Canadian exports to the United States increased steadily during the 1980s, from 60.6% in 1980 to 70.7% in 1989 (the first year of the FTA). Canada's share of total exports to the United States continues to rise, reaching 87.7% in 2002. The study found a downward trend in the percentage of mutual trade between Canada and the United States: since 2002, this percentage has fallen back to 76.4% in 2016. Traditionally, Canada has been the largest buyer of American exports and supplier of imports to the United States. Canada purchased 23.5% of US exports in 1987, the same as in 2005, but the figure has since fallen to 18.3% in 2016. Canada has traditionally been the largest supplier of US imports, accounting for 20.6% in 1984, reaching a high of 20.1% under NAFTA in 1996, and then declining to 12.6% in 2016. China displaced Canada as the largest supplier of imports to the US in 2007, and Mexico overtook Canada in 2015. Canada remains the United States' largest trading partner based on trade in services.

Another important partner of Canada historically has been Great Britain. The former colony supplied more goods to the British Isles than it received. The decline in trade volumes in this direction occurred after the Second World War, and by the end of the 20th century, Japan became Canada’s second largest trade partner, and by the end of the second decade of the next century, China. The UK also remains one of Canada's top five trading partners, along with the European Union and Mexico. Since 1947, Canada has been an active participant in the General Agreement on Tariffs and Trade (GATT), which has helped ease barriers to free trade among countries around the world.

The last organization examined in the study is the Organization of American States (hereinafter OAS). The OAS is an international organization created on April 30, 1948 at the 9th Inter-American Conference in Bogota (Colombia) on the basis of the Pan American Union, which existed since 1889. The highest bodies are the General Assembly, the Permanent Council, the Consultative Meeting of Foreign Ministers, the General Secretariat.

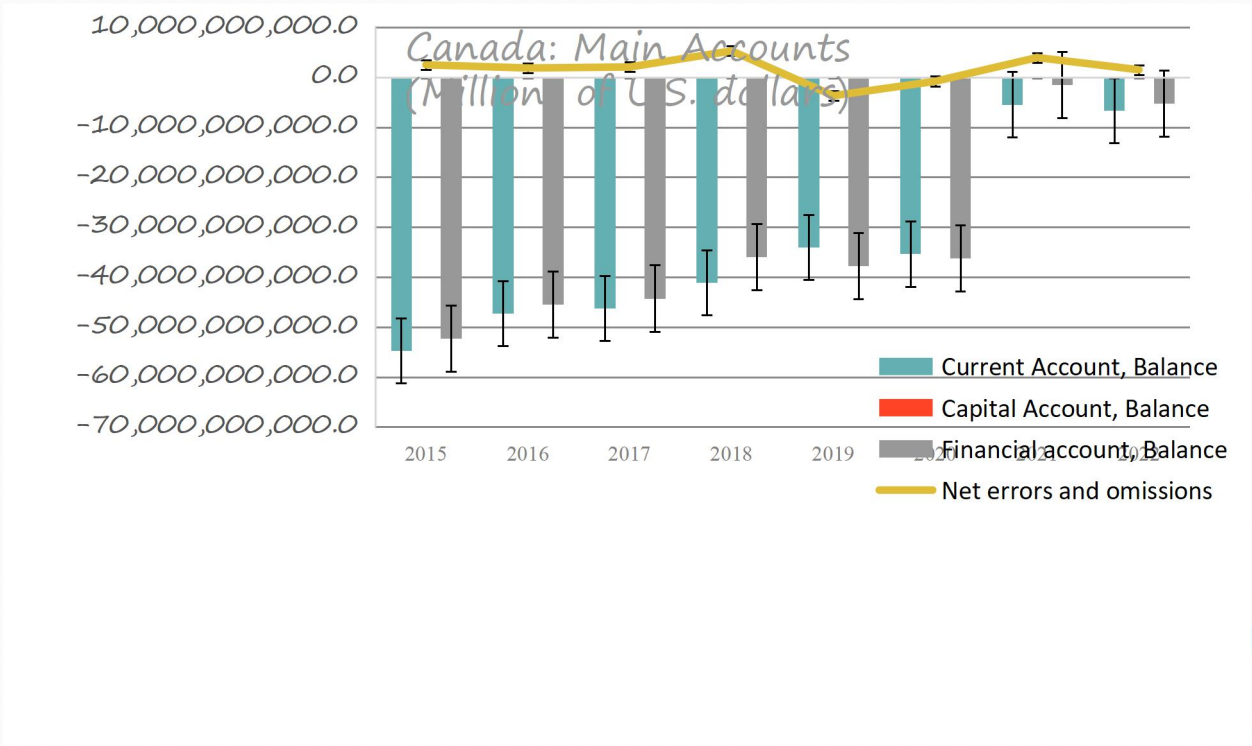
The purpose of the OAS is stated in Article 1 of the Organization's Charter: to maintain peace and justice, promote solidarity, strengthen cooperation and defend its sovereignty, its territorial integrity, and independence.

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Today, the OAS unites 34 states of the Americas (except Cuba) and is the main political, legal and social force in the Western Hemisphere. In the field of trade, within the framework of the OAS, trade agreements are concluded between its members, and the trade principles of the WTO are also implemented. Canada has entered into free trade agreements with a number of countries, as shown in the Table.

partner country	date of signing	effective date
Honduras	05.11.2013	01.10.2014
Jordan	28.06.2009	01.10.2012
Israel	31.07.1996	01.01.1997
Colombia	21.11.2008	15.08.2011
Costa Rica	23.04.2006	01.11.2002
Panama	14.05.2010	01.04.2013
Peru	29.05.2008	01.08.2009
The Republic of Korea	22.09.2014	01.01.2015
Chile	05.12.1996	05.07.1997

Thus, the activities of regional organizations come down to the implementation of trade regulation mechanisms prescribed by the WTO, and their development is also observed within the framework of CETA and TPP.



Source: Balance of Payments (BOP) (10/25/2023)
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Based on the results of the study, the following conclusions can be drawn:

- According to the political characteristics of Canada, one can note a very competent administrative-territorial division, since each province plays an important role in the trade turnover of the entire country as a whole. An analysis of the country's political structure showed that the country has special structures responsible for regulating domestic and foreign trade - in particular, we are talking about the Ministry of Foreign Affairs and International Trade.
- Having analyzed various economic indicators, we can conclude that Canada is one of the developed and prosperous economies of the world, since for a number of indicators, such as GDP, GNI, HDI, FDI, trade turnover, Canada confidently remains in the top 20 countries in the world (according to most indicators are even in the top 10). Canada has moderate inflation and low unemployment, which has a positive effect on the country's economy. The value of the Gini Coefficient shows that the gap between the rich and poor population is not critical. The analysis also revealed negative trends, in particular, a negative trade balance and insufficiently large gold and foreign exchange reserves, in relation to which government agencies need to make effective decisions. It should also be noted that the Canadian economy is quite dependent on the US economy, since the latter are the main partners of Maple Leafs for export, import and foreign investment. Also, despite the fact that the country's economy is dominated by the Tertiary sector, the importance of the Secondary (raw materials) sector is also great - in this aspect Canada is similar to the Russian Federation.
- Canada is a good example of a country in which the activities of government agencies really come down to the effective regulation of all processes occurring in the consumer market for goods and services, both at the local level and at the global level. The distribution of powers to regulate trade “from top to bottom” - from the Ministry of Foreign Affairs and International Trade to local structures in provinces and territories - also has a beneficial effect on the economic situation in the country. In the same aspect, it is necessary to mention the Agreement on Internal (Interprovincial) Trade, thanks to which the regions also improve their economic situation.

Canada’s interaction with the World Trade Organization is productive, in particular, in the following parameters:

1) Trade turnover and export/import of services increased significantly after Canada joined the WTO;

2) Canadian legislation is based on the WTO Agreements, which has a beneficial effect on the regulation of domestic and foreign trade in Canada;

3) Under the auspices of the WTO, numerous bilateral and multilateral trade agreements have been concluded that directly optimize trade in certain types of goods between certain countries;

4) This interaction contributes to Canada's economic integration both in the global economy and in the regions.

- Canada’s interaction with regional organizations demonstrates the clear implementation of such a WTO provision as the right of the state to create free trade zones;
- It has been established that Canada is ready for such challenges as the modernization of WTO provisions through the CETA and TPP agreements, which is associated with certain risks

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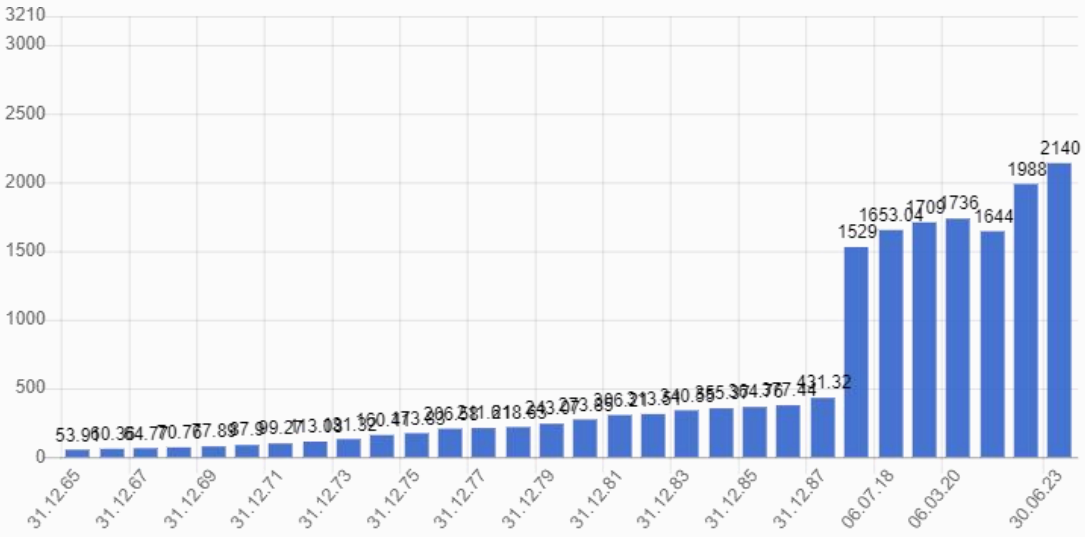
Application:

CANADA GDP DATA

Index	Value	Period
GDP volume	**2140** USD bln.	2022
Annual GDP growth rate	**1.12** %	2Q./23
GDP growth rate	**0** %	2Q./23
GDP per capita	**44910** USD	2022
GDP at constant prices	**2198984** CAD mln. | **1617.257** bln. USD	2Q./23
GDP per capita PPP	**48955** USD	2022
GDP from agriculture	**40208** CAD mln. | **29.571** bln. USD	july. 2023
GDP from construction	**148083** CAD mln. | **108.909** bln. USD	july. 2023
GDP from manufacturing	**195518** CAD mln. | **143794960** bln. USD	july. 2023
GDP from mining	**159353** CAD mln. | **117.197** bln. USD	июл. 2023
GDP from public sector	**147359** CAD mln. | **108.376** bln. USD	июл. 2023
GDP from services	**1495668** CAD mln. | **1099.999** bln. USD	июл. 2023
GDP from transport	**86241** CAD mln. | **63.426** bln. USD	июл. 2023
GDP from utilities	**42259** CAD mln. | **31.08** bln. USD	июл. 2023

LATEST GDP DATA FOR CANADA (USD BLN.)

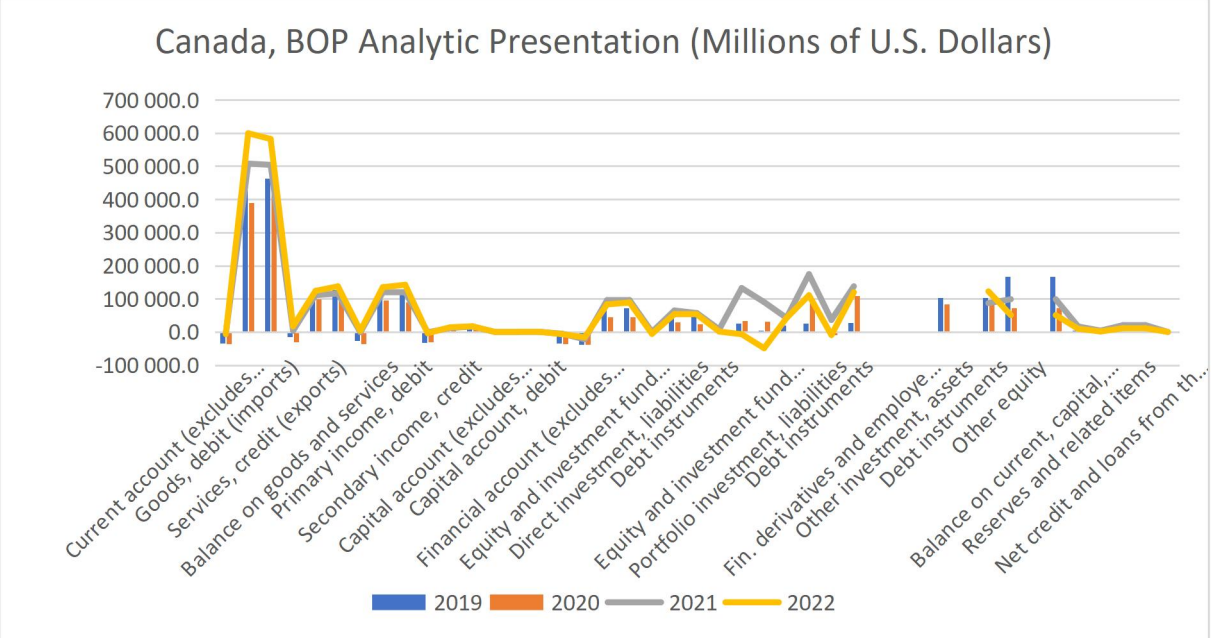
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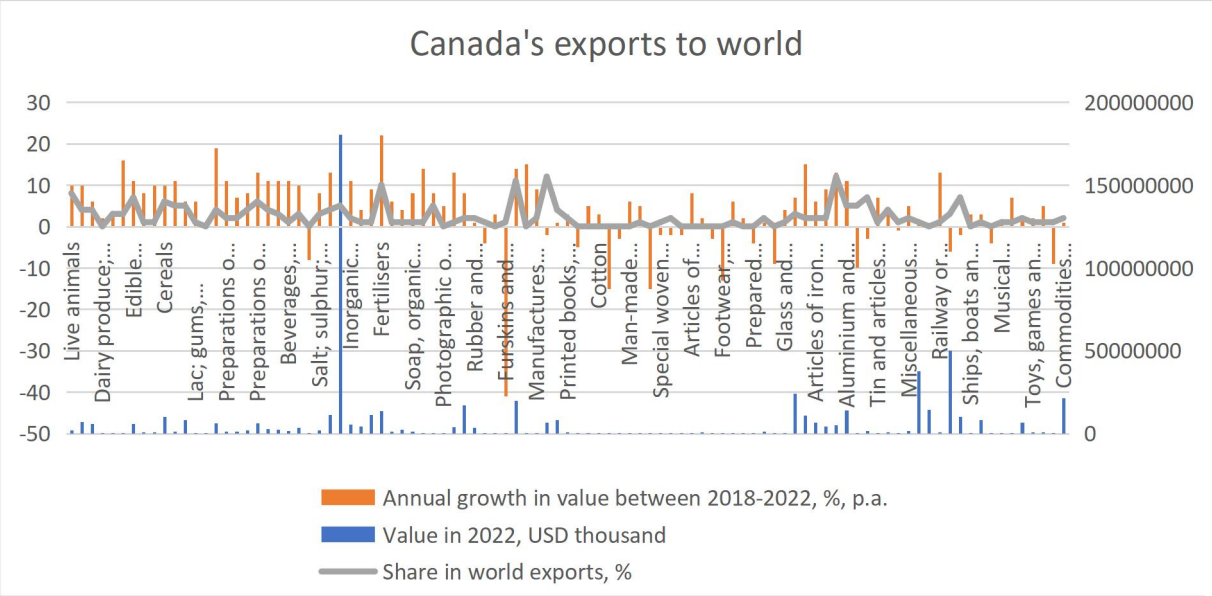


DATA HISTORY (USD BLN.)

Data	Period Date	
▲2140	2022	30.06.2023
▲1988	2021	06.07.2022
▼1644	2020	02.07.2021
▲1736	2019	06.03.2020
▲1709	2018	02.07.2019
▲1653.04	2017	06.07.2018
▼1529	2016	19.06.2018
▲431.32	2087	31.12.1987

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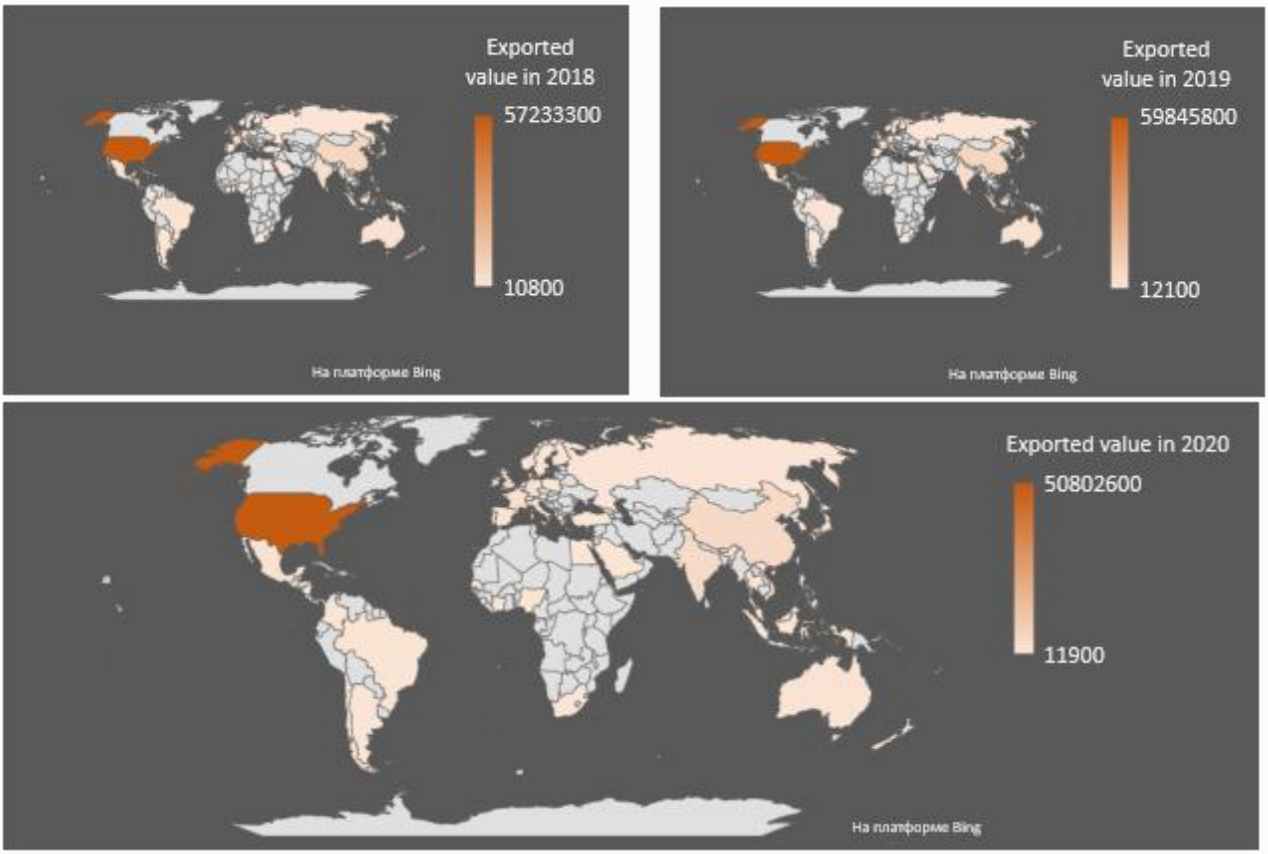




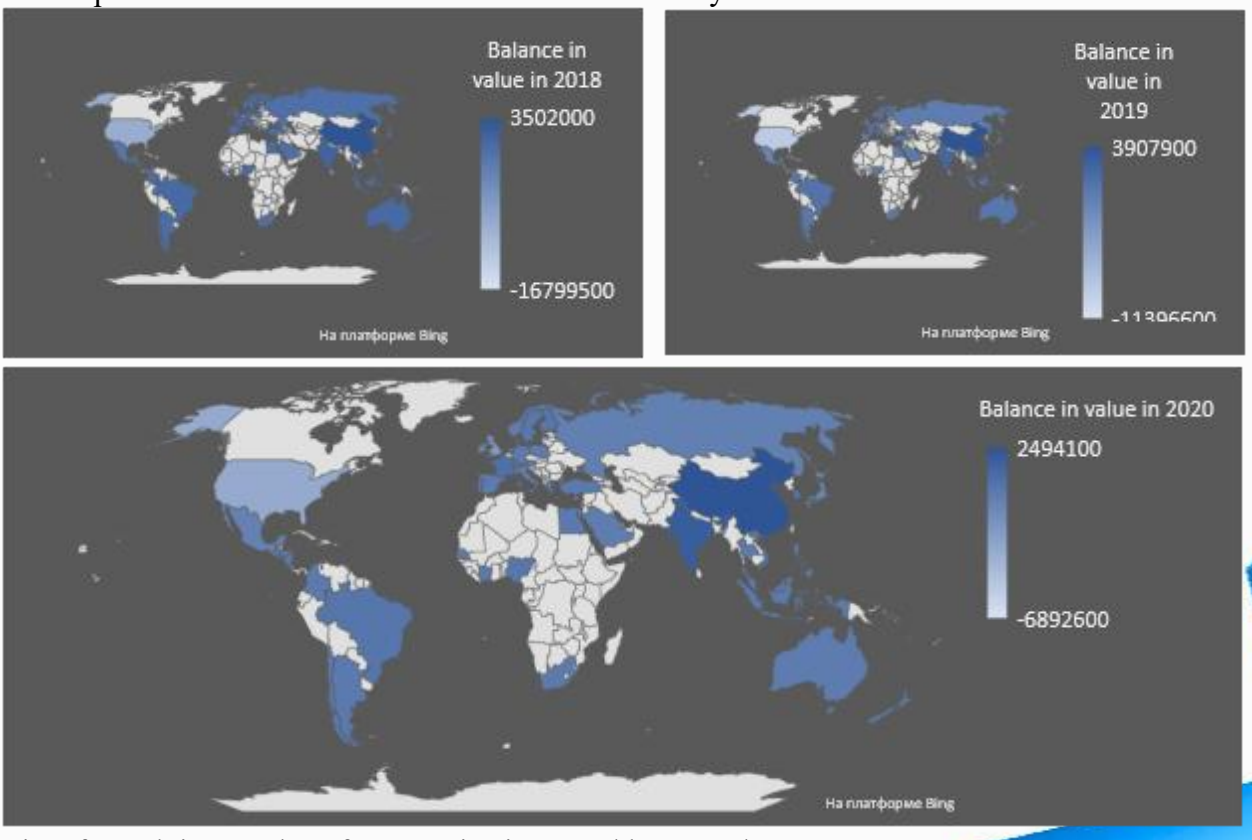


List of importing markets for a service exported by Canada

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List of partners markets for a service commercialized by Canada



List of supplying markets for a service imported by Canada

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IMF Data: https://data.imf.org/?sk=2dfb3380-3603-4d2c-90be-a04d8bbce237

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IMF Data: https://data.imf.org/?sk=7a51304b-6426-40c0-83dd-ca473ca1fd52