

Unit 17

Canada

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Learning Objectives

This unit makes an attempt to explore:

- the economic history of Canada;
- the emergence of economic nationalism in Canada;
- the economic development and policies in the post World War II period; and
- the indicators of social development in Canada.

17.1 Introduction

Canada, the world's second largest country, contains an extremely wide variety of geographical features ranging from the magnificent Rocky Mountains, the warm blue Pacific Ocean on the West Coast, to beautiful lakes and the magnificent Niagara Falls in Central Canada. Moreover, Canada is the largest country in the Western Hemisphere, with a total area of 9,970,610 sq. km and the world's longest coastline extending over 244,000 km as well. Canada's economy is not only one of the soundest in the world but has been ranked the number one country in the world for several years. The United Nations has ranked Canada as the best country in the world to live in. The survey compared a total of 174 countries, using 200 performance indicators including access to education, quality health care, a low incidence of crime in Canadian cities, and a clean environment.

Canada ranks fourth in the world as per human development index (HDR 2004), behind only to Norway, Sweden and Australia, Canada, the eighth largest trading nation in the World, with its relatively low levels of inflation, is not only an active foreign investor on the global front, but also receives a high degree of foreign investment from all over the world.

Canada, with its population of 31.4 million (in 2002), was formed from a confederation of 10 provinces and two territories in 1867. At present, Canada has 10 provinces and 3 territories, each with its own capital city.

The present unit exposes you to a brief background of Canada and major economic activities of different regions of Canada. It looks into the economic history of Canada, which shows a clear shift in the economic approaches of Canada and her commitment for regional unity in trade affairs. Even while Canada showed trade openness there had been attempts in the country from

certain quarters for an economic nationalism. These points also discussed in the unit. Along with the discussion on economic development of the country the unit also elicits on the social indicators of development of the country.

17.2 Economic History of Canada

Though Canada is a single economic unit, but to begin with, in the following section, we will view the economic background of Canada by region.

i) Central Canada

Initially, most of the native people were hunters and food-gatherers, and agriculture was practiced by a very small number of Iroquoian groups. There was no specialised merchant class but trading was common. Due to the arrival of French and British traders in the 16th century, a great deal of economic and cultural changes occurred among the native people.

Much of central Canada's industry, including the country's two great industries, milling and lumbering, was dispersed through the countryside or in small villages even in 1871 and afterwards, due to rapid industrialisation and urbanisation. By 1911 half of Ontario's population lived in cities and towns (*The Canadian Encyclopedia* 2000: 714).

ii) Atlantic Canada

In addition to fur trading, sea fisheries brought about major economic development in the Atlantic region. But the 1920s and 1930s were unhappy decades when the iron, steel, coal and machinery industries were in chronic difficulty and, like the fishery, they suffered in the Great Depression. Nor did new manufacturers make much headway, in spite of continuing federal subsidies for rail transport. The few rays of hope included new pulp and paper plants and new protected markets for apples and lumber in Britain. World War II brought hectic prosperity to those communities, which served the naval and air bases, and after 1945 the situation improved (Ibid: 715).

iii) Western Canada

Fur trade was the beginning of economic development in Western Canada. In the late 1890s, the prospects for development brightened as world prices rose, transport costs fell, methods of dry land farming improved, and more appropriate varieties of wheat became available. Until 1929 the Prairie provinces enjoyed an immense expansion of the wheat economy, onto which was grafted, before 1914, a very much larger rail system, a network of cities and towns, coal mining and ranching. By 1914 the frontier of settlement had been pushed well towards the northwest, attracting migrants from many foreign lands. The result was a regional economy, which depended almost entirely upon the world price of a single crop and on local yields, both of which fluctuated greatly (Ibid: 715).

Reflection and Action 17.1

Do markets have any role to play in the economy of the country? Mention the reasons with examples.

With new projects in oil, gas, pipeline-building and potash, the year after 1945 saw resource-based development, rapid urbanisation and dramatic increases in standard of living. New markets in the erstwhile USSR, China and in developing nations for wheat opened up new horizons. The western provinces remained heavily dependent on the export of a few primary products and on the investment activity, which the primary industries could generate. The West remained "development-minded", as it had been between 1896 and 1914 (Ibid: 716).

Most of the Canadians were doing white collar jobs and staying in cities by 1980. There were less disparities in income and standard of living. But the economies of the various regions were quite different ranging from manufacturing to generation of surpluses of national products. During this period, despite all this development, in the Atlantic province, living standards were comparatively low.

17.3 Canadian Economy – An Overview

Canada has always been an open economy. Openness to trade, capital and labor has been an intrinsic part of the country's economic success, but also exposes the economy to fluctuations. From the establishment of continuous European settlement until 1850 Canada was a colonial economy integrated primarily with the French and then the British economy. The 1840s and 1850s mark a watershed as Britain adopted free trade policies and allowed the British North American colonies to determine their own trade policies. This coincided with the growth of wheat exports from different parts of the country. The major features of the last half of the nineteenth century were attempts to industrialise behind tariff barriers and the steady reorientation of international economic relations from Great Britain to the USA. The orientation towards the USA was rarely encouraged by trade policies after the non-renewal of the Reciprocity Treaty in 1866; Canada and the USA even came close to a trade war towards the end of the first decade of the 1900s. The main source of foreign capital remained the UK, but US direct foreign investment in Canada accelerated from the 1870s to 1914. Migration patterns depended on the relative attractiveness of settlement on the Canadian and American frontiers. The Prairie wheat boom led to large changes in the total population and its distribution across the country. Since it coincided with large-scale emigration from eastern Europe, the Prairies' population had a different composition to that of the rest of Canada. The period 1914-1939 was one of instability in the domestic and world economy. The 1920s saw rapid growth and continuation of the reorientation of economic relations towards the USA. By the mid-1930s Canada was trying to convince the USA to negotiate reciprocal trade liberalisation. During and after the 1939-45 war Canada helped to convince the USA and UK to lead the world to a liberal trading system based on liberal trade policies. Although Canada played an active role in GATT and was a firm proponent of multilateralism, trade barriers were reduced more slowly than in the other industrialised countries. Nevertheless, there was a substantial liberalisation of trade barriers and Canada was a major player in the world economy, reflected in its presence at the G7 summits, which began in the 1970s. Despite the multilateral (non-discriminatory) approach, Canada's trade remained highly concentrated on the USA. During the long economic boom of the 1950s and 1960s Canada also experienced large inflows of labour and capital. Canada was an open economy integrated into the world economy but with a heavy orientation towards the USA, and those features could not be readily changed. Attempts to regulate foreign investment led to frictions with the USA, without noticeably diminishing the presence of US corporations in Canadian life. By the 1970s the UK had ceased to be a major trading partner and the next most important region after North America was East Asia, a phenomenon especially apparent in Vancouver (<http://www.economics.adelaide.edu.au>).

As an affluent, high-tech industrial society, Canada today closely resembles the US in its market-oriented economic system, pattern of production, and high living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. The unemployment rate has been decreasing steadily and the real rates of growth have averaged nearly 3.0% since 1993. The government budget surpluses are partially devoted to reducing the large public sector debt. The 1989 US-Canada Free Trade

Agreement (FTA) and 1994 North American Free Trade Agreement (NAFTA) (see Box 17.1) have touched off a dramatic increase in trade and economic integration with the US. With its great natural resources, skilled labor force, and modern capital plant Canada can anticipate solid economic prospects in the future. The continuing constitutional impasse between English- and French-speaking areas is raising the possibility of a split in the federation, making foreign investors somewhat edgy (<http://www.photius.com>).

Around September 1998, the Canadian dollar had reached an all-time low of less than 65 cents against the U.S. dollar. However, since then, it has steadily climbed upward, and recently had an amazing run, touching about 80 cents against the U.S. dollar. The recent success of the Canadian dollar is driven largely by the engagement of the U.S. in the Iraq War, the huge deficit of the fiscally imprudent US Administration, and what could be argued is the battering of the U.S. employment outlook by such trends as outsourcing, and high immigration. However, even the height of the Canadian dollar, which was reached around October 2004, compares unfavourably to the historical record. The value of the Canadian dollar has quite commonly been in the 85 to 90 cents (US) range.

Box 17.1: Canada and the North American Free Trade Agreement (NAFTA)

In January 1994, Canada, the United States and Mexico launched the North American Free Trade Agreement (NAFTA) and formed the world's largest free trade area. In addition, NAFTA has established a strong foundation for future growth and has set a valuable example of the benefits of trade liberalization.

The North American Free Trade Agreement (NAFTA) has brought economic growth and rising standards of living for the people of all three-member countries since 1994. As well, by strengthening the rules and procedures governing trade and investment throughout the continent, NAFTA has proved to be a solid foundation for building Canada's future prosperity.

NAFTA has enabled both Canada and Mexico to increase their exports to the United States. Canadian manufacturers now send more than half their production to the U.S., while Mexico's share of the U.S. import market has almost doubled from 6.9% in pre-NAFTA 1993 to 11.6% in 2002. Manufacturers in all three countries are better able to realize their full potential by operating in a larger, more integrated and efficient North American economy. In 2002, Canada was the most important destination for merchandise exports from 39 of the 50 U.S. states. Following a final tariff reduction between Canada and Mexico, which took effect on January 1, 2003, virtually all trade in the NAFTA region has flowed tariff-free.

Canada is a successful trading nation. Her exports account for over 40% of total gross domestic product—a higher proportion than for any other G7 country. An estimated one in four jobs in Canada is linked to her success in global markets. NAFTA has played a significant role in that achievement. Today, 86.6% of total merchandise exports go to NAFTA partners. And close to 2.3 million jobs have been created in Canada since 1994, representing an increase of 17.5% over pre-NAFTA employment levels.

Source: <http://www.dfait-maeci.gc.ca>

17.4 Emergence of Economic Nationalism

The movement of economic nationalism in Canada was aimed at achieving greater control by Canadians of their own economy. The movement, which was a result of the foreign control of the Canadian economy, had two main separate areas of concern.

- a) **Protectionism in trade** - It was, in fact, a consequence of the National Policy of 1879, which was to encourage the creation of an industrial base in Canada by protecting small industries against the competition of larger and more established firms. Similarly, protectionism in trade was to establish

a system of tariffs to favour domestic production of goods and to discourage imports.

- b) **Foreign Controls** - The second area of concern related with the ownership of Canadian business by foreigners. It was a post-World War II phenomenon.

After World War II, there was a rapid increase of foreign ownership in the Canadian economy, which was linked to the rise of multinational corporations. A number of multinationals started their branch plants or subsidiaries inside Canada. As the ownership of these foreign corporations increased, there was an increased concern shown especially by the economic nationalists who, as a result, demanded legislation to monitor the activities and check the growth of foreign ownership in the Canadian economy. But there was another group, which was in favour of "free and unhampered" trade with all nations. This view was naturally based on the doctrine of economics known as the law of comparative advantage. The argument is that "economic growth will be maximised when government restraint is minimised and all countries specialise in the goods they produce best and trade freely with each other". Keeping this doctrine in mind, a condition also laid down for foreign companies that "foreign-owned firms would succeed in establishing themselves in Canada only to the extent that they could produce their goods more cheaply than local firms, thus benefiting Canadian consumers and the Canadian economy" (*The Canadian Encyclopedia* 2000: 716). This argument was based only competitive economic environment with the prevalence of free markets but it was questioned by the economic nationalists, who saw the presence of the multinationals and the American firms as not healthy for the small industries of Canada. The concerns of economic nationalists were articulated in a series of four government-sponsored reports drawn up over the past several decades.

a) **The Gordon Commission**

The first report on Canada's Economic Prospects (1955-1957) was established as a result of increased foreign ownership in the Canadian economy. It was named Gordon Commission after its Chairman, Walter L. Gordon. The growth of foreign direct investment was pointed out and it was also felt that "legitimate Canadian interests" were being compromised in the process. The report recommended that Canadians be permitted at least part ownership in foreign-owned subsidiaries operating in Canada.

Unfortunately, the report did not receive much attention and the general argument was that "Canada and Canadian workers in particular would benefit by the removal of all restrictions to trade and foreign direct investment, for nothing would raise the level of economic activity and boost incomes more rapidly".

In the 1960s, a new wave of economic nationalism emerged which ultimately led to three more government-sponsored reports in the late 1960s and early 1970s, which described various problems created by foreign-owned subsidiaries operating in Canada.

There were a number of problems. For instance Canadian branch plants not only lacked the facilities to conduct research and development but also lacked full-fledged marketing and purchasing departments because these functions would often be managed by the parent firm in the US or Europe. The other major problem was related to management. Since the companies were directed from abroad, Canadian managers and management were not able to develop to their full potential. We can infer from the above that dependence on various US capabilities was slowly being built into the structure of Canadian industry, leaving it less able to adapt to change and international competition. Moreover, the lack of Canadian directors on the boards of foreign-owned subsidiaries led to less number of orders for Canadian companies. A number of policies were recommended in response to these various problems.

b) **The Watkins Task Force**

In its report published in 1968, it recommended the “creation of a special agency to co-ordinate government policies and programs dealing with multinational corporations”. To monitor the behaviour of these firms by providing more information on their activities was one of the tasks of the agency.

Reflection and Action 17.4

To what extent the MNCs should be allowed to trade in any country? Whether it should be free trade or ‘restrained trade’? Discuss.

c) **The Wahn Report**

This report was published in 1970 and made a suggestion that Canadians should attempt to secure 51% ownership in foreign firms and laws should be made so as to “countervail American extraterritorial jurisdiction. These laws would effectively make it illegal for corporations operating in Canada to refuse legitimate export orders from any country, regardless of the nature of that country’s diplomatic relations with the US. It also proposed that any future takeovers of Canadian business by foreign-owned firms should require the consent of a control bureau such as the one outlined by the Walkins Report, and that certain “key sectors” of the economy should be identified “where no further takeovers would be allowed” (Ibid: 716).

d) **The Gray Report**

The Gray Report, published in 1972, also known as *Foreign Direct Investment in Canada*, recommended the establishment of a “screening agency” and also specified the particular areas to be permitted or forbidden for foreign direct investment.

These reports, in a way, formed the basis for nationalist sentiment in Canada in the 1970s. In 1974, the Foreign Investment Review Agency (FIRA), based on the recommendations of the Watkins, Wahn and Gray Reports, “began to review all proposals for foreign takeovers of existing business or the creation of new foreign-owned businesses in Canada, for the purpose of ensuring maximum benefits to Canadians from these enterprises. FIRA was structured very closely upon the recommendations of the Gray Report, and Herb Gray became its first Chairman (Ibid: 717).

Due to the influence of the economic nationalism movement, in 1980 the National Energy Program (NEP) was established by the Liberal government to monitor the security of Canada’s energy supply and to provide Canadians with the opportunity to increase their ownership of the energy industry.

In a nutshell, we can say that economic nationalism in Canada can best be understood in the context of Canadian dependence on the U.S. In addition to economic regulation, social and cultural regulation has also been used to promote national unity and cultural identification.

17.5 Macdonald Commission: Future Economic Prospects

This Commission so far is the largest in Canadian history. Appointed in 1982 to examine the future economic prospects of the country and the effectiveness of its political institutions, it was chaired by Donald S. Macdonald, a former Minister of Finance. The Commission also included 12 other Commissioners who represented diverse sections of Canadian society. The three volume report, released in September 1985, made a number of recommendations, reflecting three underlying themes: First, the report emphasised that Canada should

maintain an adaptive economy capable of adjusting rapidly to international economic changes and new technologies. Greater reliance on market mechanisms, as opposed to government intervention, and a "Free Trade" agreement with the US were the hallmarks of this theme. Second, while the Commission agreed that the overall scope of the "Welfare State" should be maintained, the report recommended reforms to important income security programs to ensure greater economic efficiency and social equity. Third, the Commission reaffirmed the traditional model of Parliamentary government, but recommended the adoption of an elected Senate to sensitise the federal government more fully to the aspirations of Canada's diverse regions. (*The Canadian Encyclopedia* : 718).

Despite its recommendations and substantial support it received from the business community, governments and the media, the report was criticised by the labour movement, nationalist groups and social activists.

Between 1984 and 1999, though some segments of the population enjoyed increases in wealth, the ground reality was that, wealth distribution in Canada became more unequal. We can analyse the present economy of Canada by taking into account a number of social and economic indicators.

17.6 Economic and Social Indicators

a) Goods and Services

The best way to describe the Canadian economy is to examine what kind of goods and services they produce and consume, what sort of jobs they do, how much they earn, and whom they work for and trade with.

Canadians have long been famous to themselves (but not to others) as "hewers of wood and drawers of water" (Ibid: 652), and the country's development was initially motivated by a desire to exploit the country's natural resources. At the same time it is also true that while the resource industries still account for a significant share of overall economic activity, in Canada, as in other developed countries, most output is produced in the manufacturing and service sectors. In 1997 manufacturing accounted for 18% of overall Canadian output, while agriculture and the resource industries - forestry, fishing and trapping, mining and petroleum, and electric power, gas and water - together accounted for under 15%. Canada has a larger service sector and smaller manufacturing sector. In 1997, 73% of workers were employed in the service sector, with 15.5% in manufacturing and only 5.1% in agriculture and natural resources.

b) Nature of work

Another way to describe Canadian economic activity is to look at the kinds and amounts of work Canadians do, not at what they produce. The distinction between what is produced and the type of work done to produce it is often forgotten but, of course, is crucial. Moreover, mechanisation has also resulted in the number of direct production workers. The number of Canadians who actually hew, draw, drill or farm for a living is minuscule, while 7 out of 10 Canadians now work in white-collar occupations. At the same time, there has been a dramatic increase in the rate of participation - from 55% in 1946 to 64.8% in 1997, which is mainly due to the participation of women into the labour force. The female participation rate increased from 24.7% to 57.5% while the male rate declined from 85.1% to 72.5%, the main factors responsible for this increased rate of female participation are - improved methods of birth-control, the invention of labour-saving home appliances, change in attitudes, the growth of public sector, etc.

But the participation-rate has been less successful in checking the unemployment rate that has risen from an average of 5.2% in the 1960s to 6.7% in the 1970s, to 9.9% between 1980 and 1986. These are two main factors responsible for rise in unemployment rate. On the one hand, it is believed

that due to unemployment insurance program, many people prefer to undergo "periodic spells of unemployment", and that there are many more secondary workers - women and young people, mainly - who presumably are not as desperate for employment as was the archetypical worker of the 1950s, the male head of a household in which no one else earned an income. On the other hand, the unemployment rate for prime-age males has also been creeping up over the last 2 decades". But from 1996, the unemployment rate has been decreasing from 9.6% in 1996, 9.1% in 1997 to 7.6% in 2003 (See Table 17.1).

Table 17.1: Social Indicators

	1996	1997	1998	1999	2000	2001	2002	2003
LABOUR FORCE ¹								
Labour force ('000)	14,900	15,153	15,148	15,721	15,999	16,246	16,689	17,047
Total employed ('000)	13,463	13,774	14,140	14,531	14,910	15,077	15,412	15,746
Men	7,346	7,508	7,661	7,866	8,049	8,110	8,262	8,407
Women	6,117	6,266	6,479	6,665	6,860	6,967	7,150	7,339
Workers Employed Part-time(%)	19.2	19.1	18.9	18.5	18.1	18.1	18.7	18.8
Men	10.8	10.5	10.6	10.3	10.3	10.4	10.9	11.0
Women	29.2	29.4	28.8	28.0	27.3	27.1	27.7	27.8
Involuntary Part-time	35.0	31.1	29.2	26.7	25.3	25.8	27.0	27.6
Looked For full-time work	-	10.6	10.0	9.0	7.4	7.5	8.2	8.9
% of women employed whose youngest child is under 6	15.9	15.6	15.0	14.7	14.3	13.7	13.4	12.9
% of workers who were self-employed	16.1	17.1	17.2	16.9	16.2	15.3	15.2	15.3
% of employed working over 40 hours per week ²	21.2	18.9	18.9	18.4	18.0	17.5	16.9	16.6
% of workers employed in temporary/ contract positions	-	9.4	9.8	10.0	10.5	10.9	11.0	10.5
% of full-time students employed in summer	47.9	45.7	47.2	48.8	50.9	51.3	52.3	53.1
Unemployment rate (%)	9.6	9.1	8.3	7.6	6.8	7.2	7.7	7.6
Men aged 15-24	16.9	17.1	16.6	15.3	13.9	14.5	15.3	15.6
Men aged 25-54	8.9	8.0	7.2	6.5	5.7	6.3	6.9	6.6
Women aged 15-24	13.7	15.2	13.6	12.6	11.3	11.0	11.8	11.9
Women aged 25-54	8.5	7.6	6.9	6.3	5.8	6.0	6.3	6.4
Population with high school or less	12.4	12.1	11.2	10.3	9.3	9.6	10.2	10.2
Population with postsecondary completion	8.1	7.4	6.5	5.9	5.2	5.8	6.0	5.9
Population with university degree	5.2	4.8	4.4	4.3	3.9	4.6	5.0	5.5
EDUCATION								
Total enrolment in elementary/secondary schools ('000)	5,415	5,386	5,370	5,442	-	-	-	-
Secondary school graduation rate (%)	76.4	76.3	76.0	76.3	77.1	76.9	-	-
Postsecondary enrolment ('000)								

Development, Displacement and Social Movements	Community College, full-time	397.3	398.6	403.5	408.8	-	-	-	-
	Community college, part-time	87.1	91.6	9.14	85.4	-	-	-	-
	University, full-time ³	573.6	573.1	580.4	588.4	605.2	-	-	-
	University, part-time ³	256.1	249.7	246.0	255.4	256.4	-	-	-
	% of population 18-24 enrolled full-time in postsecondary	34.6	34.3	34.4	34.4	-	-	-	-
	% of population 18-21 in college	24.7	24.6	24.7	24.6	-	-	-	-
	% of population 18-24 in university ³	20.4	20.2	20.3	20.4	-	-	-	-
	Community college diplomas granted ('000)	85.9	91.4	88.4	-	-	-	-	-
	Bachelor's and first professional degree granted ⁴ ('000)	128.0	125.8	124.8	126.4	128.0	-	-	-
	Agriculture, biological sciences	9,288	9,664	10,079	10,307	10,283	-	-	-
	Education	21,421	20,638	19,374	20,352	20,779	-	-	-
	Engineering and applied sciences	9,415	9,138	9,255	9,393	9,831	-	-	-
	Fine and applied arts	4,142	4,105	4,276	4,198	4,367	-	-	-
	Health profession	8,633	8,837	8,620	8,679	8,527	-	-	-
	Humanities and related	15,889	15,014	14,721	14,373	14,221	-	-	-
	Mathematics and physical sciences	7,005	7,091	7,239	7,537	8,527	-	-	-
	Social sciences	48,422	47,751	4,760	47,912	47,471	-	-	-

Sources: Statistics Canada, Labour Force Survey, *Education in Canada, 2000* (Catalogue no.81,229) and Centre for Education Statistics

c) Education

Education plays the important role in the development of individuals and society, of empowering people, enhancing their decision-making power.

It is known that the level of education influences the types of jobs people obtain and the income they receive. As per the 2001 census, people with a bachelor's degree were more likely to have higher earnings than high school graduates.

Another trend was also observed related to education. As more and more jobs required post-secondary education, young men and women became more likely to extend their stay in parent's home, and delay marriage and starting their own families (*Canadian Social Trends 2003: 19*).

Data from the Census show that Canadians have continued to upgrade their education in order to get good jobs to support themselves and their families. It is not surprising that the Canadian population now enjoys better education than ever and Canada ranks highest among the Organisation for Economic Cooperation and Development (OECD) countries in the proportion of its working-age population with college and university education combined (*Ibid*).

In addition to work-force, education, job-opportunities, etc., there are other indicators which determine the living standards or economic growth of any country.

Reflection and Action 17.3

Taking stock of the economic and social indicators of development assess the present development trend of Canada.

When it comes to education, we can observe that the educational achievements acquired by Canadians over the past 50 years has enormous. The proportion of individuals with a university degree, for example, surged tenfold, from 2% of the population aged 25 and above in 1951 to 20% in 2001, while the share of Canadians with less than grade 9 plunged from 55% to 11%. The trend towards university education was evident during the 1990s: the proportion of individuals aged 25 and over with a university degree rose from 15% to 20% between 1991 and 2001 (*Canadian Social Trends* 2003: 19).

Three development patterns - a global and technologically advanced economy where wealth is created by increasingly well-trained workers, the arrival of highly skilled immigrants in the 1990s and uncertain labour market conditions during the recessions of the early 1990s - emphasised higher education.

d) Living Standards in Canada

Canadians enjoy a high standard of living. "The usual estimates place Canadian GP per capita 5% to 15% below the US level and roughly equal to that in the North European democracies."

In the fourth quarter of the year 2003, economic growth advanced 0.9%, with exports being the main contributor to growth. Canadians continued to spend more on travel services and demand for industrial goods and materials strengthened 3.9% as manufacturers' activities increased.

Consumer spending was the greatest contributor to growth in 2003. Growth in personal spending (+3.3%) matched the average growth of the last decade and was similar to the growth of 2002.

Furniture and floor covering sales remained strong (+8.1%) influenced by the housing boom but slowed from the previous year (*Statistics Canada Catalogue 2001: 15*).

Labour income grew 3.4%, the lowest growth since 1996. Although employment growth was weak at the beginning of 2003, a surge at the end of the year boosted labour income in the fourth quarter. Employment growth in the services-producing industries exceeded growth in the goods-producing industries. Disposable income grew by 2.8%, about half of the increase in personal expenditures (nominal basis). As a result, saving by the personal sector plummeted and the saving rate fell to 2.0%, the lowest in decades. Net household borrowing increased \$43 billion in 2003 following an increase of \$ 16 billion in 2002 (Ibid: 15-16). We should not, however, conclude from the above analysis that Canada represents a homogeneous society based on equality. The reality points towards a number of regional problems related to unequal economy. The five traditional regions of Canada have significantly different industrial structures. The manufacturing sector is the most important field of activity in Ontario and Quibec, agriculture, petroleum and mining in the Prairies, fishing and agriculture in the Maritimes, and forestry and fishing in British Columbia.

Reflection and Action 17.4

Is there any relationship between "development" and "equality"? Canada is one of the developed countries of the world but does this refer to equal economy as well? Explain.

These regional disparities or regional differences in per capita income have remained more or less constant, inequalities among the incomes of individual Canadians are in fact much greater. Although some people enjoyed increases

in wealth over the 1984 to 1999 period, others did not, with the result that during this period, wealth distribution became more unequal. A study (Reme Marissette, Xuelin Zhand and Marie Drole, "Are families getting richer"?, *Canadian Social Trends* 2002) conducted to analyse wealth inequalities concluded that in fact the trend was more towards unequal wealth distribution. Some groups, such as young couples with children and recent immigrants, have suffered substantial declines. The growing proportion of young couples with children who have zero or negative wealth suggests that a non-negligible fraction of today's young families may be vulnerable to negative shocks, having no accumulated savings that can provide liquidity in periods of economic stress (Ibid: 19).

There is a need to modify policies aimed at redistribution, keeping in mind the social framework of society, i.e., there should be more equality in distribution of wealth. But the same trend is evident in other developed countries.

Moreover, Canada is not only a world leader in telecom innovation, connectivity, software development and the Internet economy and is also popular for its wood products for construction, renovation and interior decoration.

17.7 Relations with India

India is an important trading partner of Canada. "Bilateral trade between India and Canada almost tripled in the last decade to reach C\$ 2.2 billion in 2003. India has been and remains one of Canada's priority markets and an emerging source of foreign direct investment into Canada. Exports to India grew from \$674 million in 2002 to \$ 733 million in 2003, an increase of 8.7%. Significant increases were recorded for paper, aircraft, fertilizer, iron & steel and textiles (sports wear). Canada's main exports to India include telecom equipment, peas, pulses, potash and wood-pulp". Indian exports to Canada increased from \$ 1.3 billion in 2002 to \$ 1.4 billion in 2003. Exports to Canada are predominantly apparel, yarns and fabric, precious stones, spices, leather items and frozen seafood.

17.8 Conclusion

Canada one of the most industrialised countries in the world ranks fourth in terms of human development. It is one of the strongest and healthiest among the seven leading industrial countries of the G-7, which consists of the U.S., the United Kingdom, France, Germany, Italy, Canada, and Japan. Between 1997 and 2004, Canada experienced the strongest growth in employment among the G-7 countries. The driving forces behind recent economic developments in Canada are global in scope, such as rising energy prices, and have contributed to the appreciation of the Canadian dollar. The earlier sections of this unit explore the economic scenario in the country. Along with the economic development of the country people and the government of Canada gives equal importance to the social and environmental development of the country. In an attempt to develop into knowledge-based economy Canada emphasises the need to provide individuals with knowledge skills and competencies to participate effectively in society and the economy. The later half of the unit looks into the social sectors of development in Canada.

17.9 Further Reading

James H. Marsh (ed) 1988. *The Canadian Encyclopedia*. Second Edition, Volume 1. Hurtig Publishers: Edmonton

Walz, P. Eugene (ed) 1999. *The Canadian Encyclopedia*. McDelland and Stewart Inc.: Toronto