8. Balancing the Resource-Base and Knowledge-Base Sectors

The arguments set forth in this paper can be summarized as follows.

Myth	Reality
Natural resources make up the bulk of Canadian exports.	Primary products accounted for only 18% of Canadian exports in 1995.
Tearing down tariff walls would force Canada to revert to a resource-based economy—where Canada traditionally has an export advantage.	The elimination of trade distortions has led to an expansion in Canada's inter-industry as well as intra-industry trade. As a result, the share of non-resource products in Canadian exports has steadily increased, contrary to gloom-and-doom predictions.
Freer trade under the FTA and NAFTA have made Canada more dependent on auto and auto-parts exports.	The share of auto and auto-parts in Canadian exports has declined since the FTA and continues on a downward trend.
U.S. corporations will not locate their production in Canada, without a tariff penalty. Without protection no resource-based economy can achieve a diversified output and export composition.	Market forces reallocate resources and facilitate industrialization over time, provided protectionist and trade distorting policies are avoided. Access to international markets is essential.
Canadian exports compete on the backs of low-paid Canadian workers.	According to 1992 OECD data, export-oriented manufacturing industries in Canada topped all those in the OECD countries in terms of high-wage jobs. Exports support high-paying jobs in Canada.