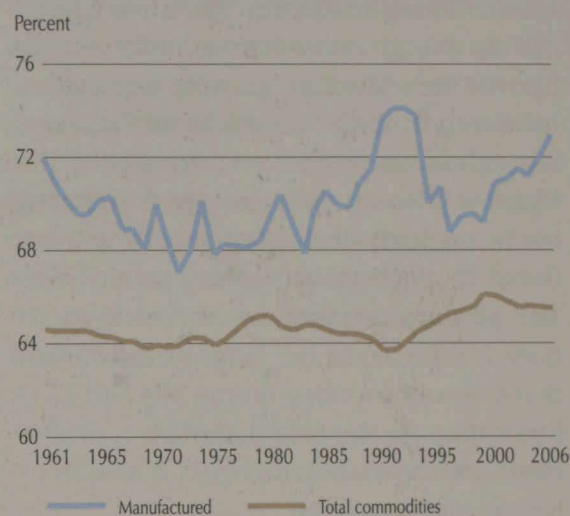


Broad statements like this, however, are of limited value. It is not surprising, for example, to find that Canada has an apparent advantage in intermediates, which includes resources. It is also not a surprise that this advantage seems to be strengthening given the rise in resource prices over the past number of years. A more informative measure of Canada's participation in global value chains involves the use of data presented in input-output tables, which provide estimates of the proportion of intermediate goods used as inputs in production. Such tables also break down intermediate inputs into *imported* and *domestically produced* goods. One disadvantage of these tables is the implicit assumption that a given imported input and its domestically produced equivalent are used in equal proportion in production (i.e. as an input in a manufacturing process) and in consumption (i.e. as a consumer good).

In terms of the share of imports that are intermediate inputs, a strong trend towards GVCs is not observed. There is a modest increase for the economy as a whole over the 1990s, but this amounts to an increase of only two percentage points, and then falls back somewhat since. For manufactured imports, the share at the end of the series is only modestly higher than at the beginning. Thus, according to this measure, imports of final products are growing at about the same rates as intermediate inputs. This corresponds to trends observed in the BEC data which shows intermediates growing about as fast as capital and finished goods.

Another method to measure Canada's participation in GVCs involves determining the share of intermediate inputs that are imported (as opposed to the composition of imports as in the previous discussion). Here we see exceptionally strong growth. For the

Share of Imports that are Intermediate Inputs



Data: Statistics Canada.

total economy the share of imported intermediate inputs in total intermediate inputs nearly doubles from 6.5 percent in 1961 to 11.6 percent in 2006. This is a fairly substantial increase considering the huge value of intermediate inputs in the economy and the many that would be considered non-tradable. For manufactured intermediate inputs the increase is even more pronounced, growing from 24.1 percent in 1963 to a peak of 73.2 percent in 1998 before falling back to 64.8 percent in 2006.

Input-output tables can also be used to examine Canada's economic performance with respect to imports of intermediate services inputs. In professional services we see one of the strongest gains with less than 7 percent of intermediate inputs being supplied from abroad in the early 1960s¹² to a peak of 21.3 percent in 1998—a three-fold increase—followed by a sharp decline in the 2000s. The share of professional services in total inputs increased even more dramatically, from 1.2 percent in the early 1960s to 5.7 percent in 2006—a nearly five-fold increase. This creates a somewhat more

¹² A figure of 14.1 percent is obtained for 1961, but quickly falls suggesting that there may be a data issue with the first period in the series.