

1. Introduction

This paper asks:

- Does Canada's trade performance fit the perception that Canada is bound to remain primarily an exporter of natural resources?
- What is the pattern for the share of Canada's total exports of resource-based goods and services vs. exports of manufactures?
- What policy implications emerge when new facts leave old perceptions in the dustbin of history?

The composition of Canadian firms' exports depends, in addition to the availability of raw materials, on their access to a suitably skilled labour force, quality inputs, machines and materials, and an overall well-tuned and open domestic economy.

The composition of a country's exports or imports does not matter, provided that people and firms are able to earn high real incomes. New knowledge and advanced technologies are a source of higher productivity, which translates into higher real incomes in the country.³ The manufacturing sector is often seen as using cutting-edge knowledge and technology, and as supporting high paying jobs. Hence, there is a common perception that a shrinking manufacturing base is bound to push down real incomes in the country. This argument, however, has validity only in certain limited circumstances.

Natural resources are assets with which countries such as Argentina, Australia, New Zealand, Canada and others are abundantly endowed. Most people believe that the kind of labour needed for felling trees, digging for metals and minerals, and drilling for oil and gas does not require the level of skill needed by manufacturing industries. This is not necessarily true, however. In fact the exploitation of natural resources is increasingly a high-skill and capital-intensive process. To achieve higher productivity, firms in

³ Productivity is the value of goods and services produced per hour of work. Productivity growth, essential for higher living standards, comes about mainly through time-saving innovations, more and better equipment, greater new knowledge, advanced skills and more efficient organizations.