

growing competitiveness in metals and minerals. This adds to the evidence that China is moving up the value chain in this sector, electing to build its own airplanes and automobiles, and procuring Canadian raw materials instead. While some of the proposed interpretations are only hypotheses, they may be validated with a detailed analysis of a specific market. The main value of the comparative advantage framework is that it suggests and guides the analysis of market opportunities on the basis of economic evidence.

Taken farther, the comparative advantage framework could also shed light on the reasons behind the under/over-exporting at the country level identified in the gravity model. Further work in the gravity model framework could also seek to explain why Canada exports more to emerging markets in aggregate than the model developed in this paper predicts. One possible explanation is that Canadian exporters have been forward-looking in recognizing the potential of the emerging markets and taking their expected future growth into account. Another explanation would emphasize the role of the product mix, and point out that emerging markets are voracious consumers of raw materials and resources. As Canada enjoys a comparative advantage in many of those, it is in a good position to supply them.³⁰ A more structured gravity model can help explain the differences in Canadian exports between countries, while detailed country studies using the suggested framework of comparative advantage could determine which of the export sectors are responsible for the overall country result and suggest trade expansion opportunities.

30 This naturally begs the question whether higher trade with emerging markets could be primarily due to high commodity prices, given that the gravity results are reported for 2007. However, sensitivity tests show similar results in other years (2000 to 2006).