Myth	Reality
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.
Foreign 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 that 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 those in all the OECD countries in terms of high-wage jobs. Exports support high-paying jobs in Canada.
The growth of the service sector means that well-paying manufacturing jobs will disappear and Canada will export labour-intensive services.	Knowledge-intensive activities generally have high productivity and real wages. Canadian exports of knowledge-intensive business services have been trending upward since 1969. Exports of business services sustain high real wage jobs.
Foreign-owned subsidiaries are only here to serve the Canadian market.	About 62% of business service exports go to the U.S., of which over 60% are exported through affiliates.
Foreign corporations operating in Canada do most of their R&D at home. Only a few knowledge-intensive and high real wage paying service jobs are created in Canada.	Trade in knowledge-intensive services matters, not R&D expenditures *per se*. For instance, U.S. affiliates in Canada engage in knowledge-intensive activities which they cannot obtain from their headquarters in the U.S. and which they buy from Canada for their U.S. operations.