

tor is exported. More traditional manufacturing such as textiles, clothing and footwear, and a range of other standard-technology products concentrated in Quebec and Ontario have had difficulty meeting increased international competition in the domestic market and have been under pressure to adjust into more internationally competitive areas. The complexity of the influences at play in the international market-place today, together with the rapidity of change which is taking place, is resulting in almost continuous change in comparative advantage as between both products and countries. In this dynamic environment, Canada, like other countries, must be prepared to adjust and adapt its productive facilities to changing economic conditions, both at home and abroad, if improvements in real incomes and economic welfare are to result.

Food and crude materials now account for about 30 percent, and partially or fully manufactured products for some 70 percent, of Canadian merchandise exports, compared to some 40 and 60 percent respectively in the early 1960s, indicating a real growth in the level of processing of Canadian exports. A comparison of the composition of Canadian exports in constant dollars demonstrates even more dramatically the increased level of processing of Canadian exports. A recent Conference Board Study, for example, suggests that in 1971 dollars, end-products constituted 45.6 percent of Canadian exports in 1981 and together with semi-processed products, made up 78.2 percent, while raw materials made up only 21.8 percent. Our comparative advantage, however, remains in resource-based products. Throughout the past decade, fully 60 percent of our exports were directly identifiable as resource-based at various stages of processing. There has also been a considerable diversification of the composition of further processed Canadian exports in the last two decades. Indeed, the expansion of Canadian exports in the last 15 years was largely the result of a real growth in exports of manufactured goods. It is estimated that in 1981 some 600,000 workers (or, over one-third) in Canadian manufacturing alone were *directly* employed in output destined for international markets. Further employment is, of course, generated by export-related service industries and resource exports, as well as by industries providing input into goods processed further in Canada before export. The export orientation of total manufacturing rose from 19 percent in 1966 to 31 percent in 1980; in some major sectors such as aircraft, urban transportation, machinery, primary metals, paper and allied industries, automotive and electronics, this proportion was higher than 50 percent. For most industries this greater degree of integration into world markets has been based on a significant rationalization and specialization which in turn has led to greater productivity and competitiveness. Thus international trade has allowed Canadian industry to achieve economies of scale which were not attainable by serving the domestic market alone.

Imports of machinery and equipment have historically allowed Canadians access to a range of goods not produced either competitively or in sufficient quantities to meet the needs of various industrial users. These imports play an important role in the development of an efficient industrial structure. Consumers have also benefited from access to a wider range of consumer goods and essential commodities such as tropical foodstuffs. Similarly, access to foreign technology, knowledge and investment has been instrumental in achieving a high standard of living and a diversified economic structure. In the last 15 years, imports of manufactured products have grown commensurately with similar exports, and the degree of import penetra-