

the resource-based sector continually update their capital stock, which embodies new knowledge and advanced technology. Trade in natural resource-based goods and services, therefore, can also support high real incomes.⁴

In Canada, as for other industrialized countries, the shift to a post-industrial or knowledge-based economy has been marked by an increase in the service sector share of GDP. The performance of the service sector is increasingly important for policymaking. Yet, scanty data render the service sector an unknown frontier. Many policymakers believe productivity growth to be either negligible or modest in the service industry. Service jobs are considered to be low paying because productivity and knowledge-content in services is also perceived to be low.

One purpose of this paper is to demonstrate that it is natural for a mature economy to see the relative contribution of its natural resource-based economy decline, as its manufacturing and service sectors expand. This has been true for Canada, where exporting firms have been successful in changing the composition of Canadian exports from largely natural resource-based exports to largely exports of knowledge-intensive goods and services.

In short:

- Canada has not fallen from the ranks of other advanced industrial countries and is not, as many think, fast slipping back to where we will be earning our living by exporting primarily resource-based goods and services.
- As Canada has become more integrated in the world economy over the last two decades, Canadian firms and workers have moved into producing, importing and exporting a larger share of manufactured products.
- The Canadian economy is dynamic, flexible and has had the capacity to restructure itself so as to move away from its initial resource-base to become an advanced and knowledge-based economy.

⁴ One popular example is that the value-added content in potato chips tends to be higher than in DRAM computer chips. Do you bring in more money exporting computer chips (a high-technology product) or potato chips (a natural resource-based product)?