

Myth	Reality
<p>The growth of the service sector will mean that well-paying manufacturing jobs will disappear and Canada will export labour-intensive services.</p>	<p>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.</p>
<p>Foreign-owned subsidiaries are only here to serve the Canadian market.</p>	<p>About 62% of business service exports go to the U.S., of which over 60% are exported through affiliates.</p>
<p>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.</p>	<p>Trade in knowledge-intensive services matters, not R&D expenditures <i>per se</i>. 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.</p>

9. Policy Implications

In the face of globalization and rapid changes in information technology and transportation costs, workers and firms in Canada are responding to market forces and are making the necessary structural adjustments. The key question is whether government policy has facilitated, or obstructed, beneficial structural change in the economy. The optimal policy response should promote the efficiency and speed with which workers and companies in the marketplace complete the transition process.

In Canada, the shift in the trend from the resource-based exports in the past to more advanced manufactured exports in the 1980s and 1990s is set to continue. Nonetheless, the Canadian resource sectors will continue to make important contributions to the living standard of Canadians. In relative terms,