

could account for the difference. A more likely explanation may be that, like much else, it has been a result of the rise of the Canadian dollar which has made Canada a relatively more expensive location in which to perform many activities, including R&D.

Headquarters (HQ) may also be viewed as a high-valued activity. There are the "headquarter activities" themselves - the services that the HQ provides to other parts of the organization, such as human resources, legal or accounting services, most of which tend to be high-knowledge well-paying jobs. Like R&D, HQs produce what may also be thought of as spillovers to the host jurisdiction by demanding legal, consulting and financial services. It is unlikely, for example, that a country could operate a thriving stock market without the presence of a sufficient number of large corporate headquarters. As Markusen (2005) notes, the loss of domestic service jobs associated with corporate head offices are among the biggest concerns in the trade policy area. Headquarters are different in at least one important respect, however, in that they make decisions that impact on the rest of the organization such as what type of activities are located where. To the extent that there may be links between the HQ and certain activities or a bias in the location decision, it may be extremely important where headquarters locate.

Michael Bloom and Michael Grant in their chapter "Valuing Headquarters (HQs): Analysis of the Role, Value and Benefit of HQs in Global Value Chains" looks at Canada's attractiveness as a location for corporate headquarters managing a global value chain. After increasing for a number of years, and importantly through many of the years where Canadians were concerned about the "hollowing out" of corporate headquarters following some high-profile mergers and acquisitions, the number of headquarters in Canada and number of headquarter employees peaked in 2005 but has declined since. Probably more important than this recent decline in numbers, Bloom and Grant also note that relative to other countries, Canadian companies tend to be rather small and less global. Looking at the Fortune Global 500, for example, they note that while Canada has a number of companies that is roughly proportionate to Canada's share of Global GDP, when measured by size (assets) and whether the company is considered a global leader, Canada ranks less well. Thus it appears that there is some evidence that Canada produces global companies, but there may be reason to believe that they are not growing to the global scale seen in many comparator countries.

Although it may appear that headquarters are not very footloose, many of the biggest companies have their headquarters at or close to where they were founded, headquarter functions can actually be reasonably mobile. High profile moves such as the recent move of Boeing's headquarter from Washington State to Chicago are indeed a rarity. But, the opening of regional or function headquarters, the consolidation of an HQ post merger or acquisition and changing the roles, responsibilities and mandates of different parts of the organization can indeed be quite common. It is for this reason that Bloom and Grant also examine the factors that make a location attractive for an HQ. They find that the general business environment and economic growth are the most important factors. Additionally, HQs often locate in urban centers, attracted by good transportation systems (both urban transit as well as national and international), access to skilled labour, and cultural and other amenities that are attractive to knowledge workers. The strength of the IP system was also noted as an important factor.

A Policy Perspective

As our understanding and measurement of GVCs improves, it will become increasingly important to deepen our understanding of the impact that the rise of GVCs